



Mohokare
Local Municipality: FS
163

Final Annual Report:
2010/2011

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Glossary of terms

ABET	Adult Based Education and Training
ABSA	Amalgamated Banks of South Africa
AFS	Annual Financial Statements
AIDS	Acquired Immune Deficiency Syndrome
CBO	Community Based Organization
CPF	Community Policing Forum
DBSA	Development Bank of South Africa
DEAT	Department of Tourism, Environment and Economic Affairs
DFA	Development Facilitation Act No 67 of 1995
DLA	Department of Land Affairs
CGTA	Cooperative Governance and Traditional Affairs
DM	District Municipality DE Department of Energy
DoA	Department of Agriculture
DoE	Department of Education
DoH	Department of Health
DoSD	Department of Social Development
PRT	Department of Police Roads & Transport
DSAC	Department of Sport, Arts and Culture
DWA	Department of Water Affairs
ECA	Environmental Conservation Act
EMS	Emergency Medical Services
FSDC	Free State Development Corporation
FSPGDS	Free State Provincial Growth & Development Strategy
EIA	Environmental Impact Assessment
ES	Equitable Share (grant)
FBO	Faith Based Organizations
GRAP	Generally Recognised Accounting Principles
GIS	Geographical Information System
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immune Deficiency Virus
HoD	Head of department
HR	Human Resource
IDC	Independent Development Corporation
IDP	Integrated Development Plan
IDT	Independent Development Trust
ISRDS	Integrated Sustainable Rural Development Strategy
IT	Information Technology
ITP	Integrated Transportation Plan
IWMP	Integrated Waste Management Plan
KPA	Key Performance Area
LED	Local Economic Development
MM	Municipal Manager
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems & Institutional Grant
NDC	National Development Corporation
NEMA	National Environmental Management Act
NER	National Electrification Regulator
NGO	Non - Governmental Organizations
NSDP	National Spatial Development Perspective
NSS	National Sanitation Strategy
XDM	Xhariep District Municipality
PMS	Performance Management System
PPP	Public Private Partnership
RDP	Reconstruction and Development Programme
REDs	Regional Electricity Distributors
RTP	Responsible Tourism Planning
SADC	Southern African Development Community
SALGA	South African Local Government Association
SANDF	South African National Defense Force

SAPS	South African Police Service
SCM	Supply Chain Management
SDBIP	Service Delivery Implementation Budget Plan
SGB	School Governing Body
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprises
SMME	Small Medium and Micron Enterprises
SOE	State Owned Enterprises
SoR	State of Environment Report
STDs	Sexual Transmitted Diseases
TB	Tuberculosis
TLC	Transitional Local Council
VAT	Value Added Tax
VIP	Ventilated Improved Pit (dry sanitation facility)
WSDP	Water Services Development Plan

Chapter 1:

Foreword by the Mayor
Foreword by the Municipal Manager
& Executive Summary

A. Mayor's Foreword

Mohokare Local Municipality is constituted by a highly agrarian area as identified by documents such as the IDP and Growth and development documents of the Xhariep District.

However the area is characterized by a high number of indigent households, estimated to be at 80% by 2008; this implies that income and debt payments expected from communities will continue to be a huge challenge that impacts negatively on the financial revenue of the municipality.

Strides have to be made to strengthen the local economic development and agricultural sector to benefit all sectors of our community.

Despite all these challenges we continue to provide services that are of acceptable standards to our communities,

Access to water continues to be at 100% provision to all households,

With the implementation phases of the regional bulk water project, we will be able to totally eradicate buckets in all our area.

We continue to apply for electricity projects from the department of Energy and funds are allocated as per the department funding criteria.

We continue to facilitate the provision of sustainable human settlements to our communities although we have marked that the allocations made by the Cooperative Governance and Traditional Affairs department does not equate to the backlogs on the ground (municipal level)

Refuse removal is one of the important areas that need attention; challenges still persist due to lack of service delivery machinery & equipment.

Our relationship with the Communities of Mohokare Local Municipality, sister Municipalities within the Xhariep District and the Xhariep District Municipality, sharing knowledge and experiences, continue to improve and bear fruit, which benefits all our communities.

This report is a reflection of municipal activities for the said financial year (2010/2011) compiled by this municipality.

Regards

A handwritten signature in black ink, appearing to be 'M. Shasha', with a large, stylized loop at the end.

Cllr. M. Shasha
Mayor

B. Municipal Manager's Foreword

Government sees it as a priority that annual reports are the key reporting instruments for Municipalities to report against the performance targets and budgets outlined in their integrated development plans, Annual reports are therefore required to contain information on service delivery, in addition to financial statements and the audit report.

It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It reports on how the budget for that financial year was implemented.

This report will be tabled and interrogated at Council level and at community level by utilizing the means of public participation processes that the Municipality as guided by legislation. Prior to the Council tabling for final adoption, this document will go through the Council Oversight Committee to ensure detailed scrutiny and credibility of data and information provided.

Some of the challenges that are raised in the 2011 National Planning Commission's diagnostic report are also somewhat applicable to Mohokare Local Municipality as outlined below;

Challenges	<u>DiagnosticReport</u>	<u>MohokareLM</u>
	Too few South Africans work	Almost 90% of households are indigent
	The Quality of school education for most black people is sub standard	Poor qualifications within the municipal workforce
	Poorly located and inadequate infrastructure limits social inclusion and faster economic growth	Infrastructure still laid out in terms of the old "apartheid planning" system
	Spatial challenges continue to marginalise the poor	Old black Townships still developing away from economically active areas (CBDs), insufficient land for economic development initiatives
	The performance of the public service is uneven	Differently provided services, e.g. "Township" versus "Towns", Road infrastructure trafficable in "towns" but not likely in "townships".
	Corruption undermines state legitimacy and service delivery	Mohokare is not immune to this challenge, referring from previous cases.

This means that Mohokare Local Municipality is bound to be affected by the dynamics of South Africa as a country, and we must continue to seek solutions that are practical and financially sustainable.

Kind regards

A handwritten signature in black ink, consisting of several overlapping loops and a trailing flourish.

T. C. Panyani
Municipal Manager

1.1. Executive Summary

1.1.1. Municipal Vision, Mission, Mission Statement& Values

Vision

“We shall be a consistent Municipality, offering quality services and a better life for all”

Mission

Improved, accountable and public driven Municipality

Mission Statement

“To reduce queues that relate to service delivery through sound administrative & financial management”

With the following values

Batho Pele Principles Good
governance Community
Based Planning Integrity
Social Cohesion
Accountability
Customer / Client Centered Approach

Mohokare will;

- Strive to meet challenging but achievable company objectives and financial goals, with well-planned and clearly communicated strategies
- Encourage a winning spirit and a positive working environment through the development of supportive, appreciative, and rewarding working relationships
- Recognize diversity by treating individuals with respect and dignity
- Promote team building

1.1.2. Municipal Manager's Overview

In giving an overview of this annual report it is worth noting the following milestones achieved;

Securing universal access to waterborne sanitation for all households through the Regional Bulk Water Scheme; where which this project will ensure that all the households in Mohokare outstanding of water borne access to sanitation are connected to the network system, promoting decency in the services that we provide.

Universal access to water by all households in Mohokare.

We are gradually making strides to achieving the Blue Drop and Green Drop status for Mohokare, even in the face of infrastructural developmental challenges that have financial implications and based on the revenue collection might prove difficult yet not impossible to implement.

Acquisition of land for residential purposes; The current shortage of land in Mohokare does not equal the demand for sites and human settlements and the procurement of the Mooifontein farm in Zastron is seen as an achievement to ensure that we continue to allocate land specifically for residential purposes.

We have managed to resuscitate relations between labour and the employer, hence the regular sitting of the employer / employee structure.

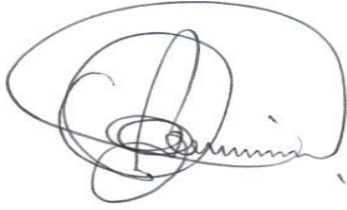
Timeously submission of the Annual Financial Statements and the Draft Annual Performance Report; Improvement on these compliance matters is evident, seeing that these documents will be submitted on time

In light of the milestones achieved it is very important that I also note challenges that the municipality must overcome in order to function properly, but not limited to the following;

Financial constraints for filling of critical section 56 positions
Poor revenue base for the Municipality

This annual performance report gives a clear picture of service delivery within Mohokare, AND in closing; Learning is the Journey to success, therefore let us all be part of local government to ensure improvement of our people's lives.

Kind regards

A handwritten signature in black ink, consisting of several overlapping loops and a trailing flourish.

T. C. Panyani
Municipal Manager

1.1.3. Municipal Functions, Population and Environmental Overview

In terms of the powers and functions for municipalities as promulgated by the Constitution of the Republic of South Africa, municipalities are dictated by this document to guide their functioning, below is the powers and functions that relate Mohokare Local Municipality;

<u>Function</u>	<u>Authorizations</u>
Air pollution	Yes
Building regulations	Yes
Child care facilities	Yes
Electricity reticulation	Yes
Fire Fighting	Yes, including DM function
Local tourism	Yes
Municipal airport	Yes
Municipal Planning	Yes
Municipal Health Services	No
Municipal public transport	Yes
Pontoons and ferries	Yes
Storm water	Yes
Trading regulations	Yes
Water (Potable)	Yes
Sanitation	Yes
Amusement facilities /Beaches	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlors and crematoria	Yes, including DM function
Cleansing	Yes
Control of public nuisance	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes, including DM function
Municipal parks and recreation	Yes
Municipal roads	Yes, including DM function
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes, including DM function
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes
Municipal public works	Yes

Population and Environmental Overview

The current realities range from socio-economic aspects to engineering infrastructure and within each category of analysis the critical issues and challenges are identified.

To analyse current realities various sources of information and data were used, such as:

Census 2001 with 2003, 2006 and 2007 Community Survey projections by Stats SA and the Municipal Demarcation Board.

Extrapolated data from the previous IDP documents

The Xhariep District Potential Analysis report

XDM latest data and information.

Any other appropriate and relevant reports specific to the Mohokare Local Municipality within the public domain.

Important to take to consideration is that the Municipality in partnership with the Independent Development Trust (IDT), are in a process of completing the ward profiles for all 6 wards in the area, currently outstanding is ward 6 in Smithfield. This report can only be incorporated into this document once it has been tabled and adopted by council, in the interim, we use the statistics provided by stats SA and other sources.

Demographic Realities and Socio Economic dynamics

The community survey conducted in 2007, estimates the population of Mohokare to be at ±41 867 with 10 216 households.

Table A: Population distribution by gender and age

Age	0 – 6	7 – 13	14 – 18	19 – 25	26 – 35	36 – 45	46 – 60	61 – 80	81 – 120
Male									
Black	3228	3182	2354	2492	3005	2175	1848	742	120
Coloured	57	135	33	78	211	136	26	3	30
Indian or Asian	-	-	-	-	-	-	-	-	-
White	111	98	31	37	148	151	44	341	-
Total Male	20816								
Female									
Black	3016	2801	2073	2610	2768	2212	2298	1390	244
Coloured	137	61	61	29	180	89	-	61	-
Indian or Asian	-	-	-	-	-	-	-	-	-
White	57	142	57	108	70	85	141	271	92
Total Female	20972								
Percentage of both female& male age groups	15,78	15,33	11,01	12,79	15,24	11,58	10,41	6,71	1,16

This section will focus on the measurement of households' living conditions at municipal level. It is hoped that this will make it possible to gauge municipal performance in terms of service delivery.

Table B: Percentage distribution of households by type of main dwelling;

	Census 2001	CS 2007
House or brick structure on a separate stand or yard	74,9	67,3
Traditional dwelling/hut/structure made of traditional materials	4,2	0,2
Flat in block of flats	1,0	1,0
Town/cluster/semi-detached house (simplex: duplex: triplex)	0,5	-
House/flat/room in back yard	0,7	1,1
Informal dwelling / shack		
In backyard	2,9	7,7
Not in backyard e.g. in an informal/squatter settlement	14,7	21,5
Room/flatlet not in backyard but on shared property	0,8	0,3
Caravan or tent	0,3	-
Private ship/boat	-	-
Worker's hostel (bed/room)	-	0,9
Other	-	0,0
Total	100,0	100,0

Table C: % distribution of households by type of water source;

	Census 2001	CS 2007
Piped water		
Inside dwelling	16,5	20,0
Inside yard	63,0	68,8
From access point outside the yard	18,4	4,7
Borehole	0,6	3,5
Spring	0,2	0,7
Dam/pool	0,5	0,5
River/Stream	0,1	0,2
Water vendor	0,0	0,3
Rainwater tank	0,2	1,2
Other	0,4	-
Total	100,0	100,0

Table D: % distribution of households by tenure status;

	Census 2001	CS 2007
Owned and fully paid off	44,7	47,3
Owned but not yet paid off	8,3	2,4
Rented	13,2	18,4
Occupied rent free	33,8	31,6
Other	-	0,3
Total	100,0	100,0

Table E: % distribution by type of toilet facilities;

	Census 2001	CS 2007
Flush toilet (connected to sewerage system)	53,7	57,1
Flush toilet (with septic tank)	3,5	3,3
Dry toilet facility	-	0,5

Chemical toilet	0,3	0,7
Pit latrine with ventilation (VIP)	5,5	4,2
Pit latrine without ventilation	7,5	-
Bucket latrine	17,8	11,7
None	17,8	11,7
Total	100,0	100,0

Table F: % distribution of households by type of energy/fuel used for lighting;

	Census 2001	CS 2007
Electricity	72,6	80,3
Gas	0,2	0,3
Paraffin	7,1	4,7
Candles	18,9	13,9
Solar	0,8	0,5
Other	0,3	0,3
Total	100,0	100,0

Table G: % distribution of households by type of refuse disposal;

	Census 2001	CS 2007
Removed by local authority		
At least once a week	60,1	67,0
Less often	2,1	12,3
Communal refuse dump	3,8	0,8
Own refuse dump	29,6	14,8
No rubbish disposal	4,4	4,3
Other	-	0,8
Total	100,0	100,0

Table H: % distribution of households by type of energy/fuel used for heating;

	Census 2001	CS 2007
Electricity	19,2	28,5
Gas	1,4	1,0
Paraffin	31,7	43,9
Wood	35,9	21,4
Coal	6,7	3,0
Animal dung	3,7	1,3
Solar	0,2	-
Other	1,2	0,8
Total	100,0	100,0

Table I: %distribution of households by type of energy/fuel used for cooking;

	Census 2001	CS 2007
Electricity	23,9	49,8
Gas	4,4	4,2
Paraffin	43,3	36,6
Wood	24,0	8,1
Coal	0,6	-

Animal dung	3,3	1,0
Solar	0,4	0,3
Other	0,2	-
Total	100,0	100,0

Level of education

It should be noted that the Municipality engages in the process of awarding certain amount of money to learners who achieve best at their respective high schools. However this activity did not take place during the year under review, this is due to the financial constraints.

Group of education level	Numbers
Grade 0 - Grade 7/standard 5	15999
Grade 8/standard 6/form 1 - Grade 12/Std 10 (with university exemption)	11947
Certificate with grade 12	136
Diploma with grade 12	405
Bachelor's degree	176
B Tech	-
Post graduate diploma	193
Honour's degree	214
Higher degree (masters/PhD)	95
No schooling	4629

Source: Stats SA, CS 2007

Health

Mohokare has 2 hospitals, each in Zastron and Smithfield. Up to now all clinics have operated only from 7:00 to 15:00 making it less accessible for people employed during the day. However there are mobile clinics that are available for areas that are far from the clinics located in Matlakeng, Mofultsepe and Roleleathunya, farm areas also are serviced through the mobile clinic facility. There is a shortage of staff at clinics, which hampers the extension of operating hours. Doctors are also not available full time at clinics.

More people are infected with HIV/Aids and this put a lot of strain on the existing health resources and facilities. There are no HIV and AIDS care centers in Mohokare, other than NGOs assisting in this regard, e.g. the Home-based care givers and the Tshepanang HIV and AIDS group in Smithfield.

Emergency services: Ambulances are under the control of the Free State Provincial Government, Department of Health. The perception of the community is that emergency services are under capacitated in terms of human resources and equipment, And a service delivery challenge with regards to EMS is that some internal Municipal roads are not trafficable, this hampers the effectiveness of this critical service.

The following table gives an overview of the current situation with regard to health facilities.

Health Facilities in Mohokare

TOWN / AREA	HOSPITALS	CLINICS
Zastron	1	0
Matlakeng	0	1
Rouxville	0	0
Roleleathunya	0	1
Smithfield	1	0
Mofulatsepe	0	1

Source: Department of Health

1.1.4. Service Delivery Overview

Mohokare Local Municipality is charged with providing acceptable service standards in relation to the provision access to Quality drinking water, bulk water, sanitation, roads & storm water, provision of electricity, facilitate in the provision of sustainable human settlements.

The following table gives a brief picture of the level of service provision within the Municipality;

Basic Service	% provision	
	MTEF period	
	2009 / 2010	2010 / 2011
Household access to water	100%	100%
Access to sanitation	91.84%	91%
Access to electricity	94.8%	97%
Access to refuse removal	98.1%	99%

Source: Mohokare 09/10 annual report

It is notable that Mohokare local municipality provides 100% of households with access to drinking / portable water, however the shortfalls within the sanitation provision are also worrying and the municipality has begun with the first phase of ensuring that buckets in are finally eradicated through the regional bulk water scheme, which will oversee the completion of the bucket system in Mohokare.

Electricity projects are ongoing and are implemented as per funding criteria of the department of Energy.

In terms of refuse removal, the greatest need is the equipment / machinery, with an increase in equipment, more progress can be witnessed.

1.1.5. Financial Health Overview

Mohokare is a highly grant dependent municipality with a high number of indigent households, as a result the municipality cannot generate sufficient income to fund its operations adequately.

Endeavors are being made through the assistance of other government departments and government entities to assist the municipality in turning around its financial viability and improving its cash flow management.

The development of a credit control policy and employment of a municipal debt collector are seen as important successes to note.

Financial Overview – 2010/11			
R'000			
Details	Original Budget	Adjustment budget	Actual
<u>Income</u>			
Grants	R 46,949	R 7,057	R 68,189
Taxes, Levies and Tariffs	R 37,431	R 29,308	R 31,488
Other	R 2,017	R 50,267	R 2,072
Sub Total	R 86,397	R 86,632	R 101,749
Less Expenditure	R 85,543	R 86,632	R 95,360
<u>Net Total</u>	<u>R 854</u>	<u>R -</u>	<u>R 6,389</u>

(From table B1 of the Adjustment budget)

(From the Annual Financial Statement issued 28 November 2011: Page 8)

Operating Ratios	
Detail	%
Employee Cost	32.18%
Repairs and Maintenance	1.07%
Finance Charges and Depreciation	0.30%

Total Capital Expenditure		
Detail	2009 / 2010	2010 / 2011
Original budget	R 24,196,000.00	R 56,986,000.00
Adjustment Budget	R 29,828,000.00	R 38,616,000.00
Actual	R 44,023,296.00	R 13,509,364.00

Annual Budget 2010/11

1.1.6. Organisational Development Overview

One of the most critical and key instruments towards a positive output in organizational development is the integrated performance management system, however Mohokare has had a long outstanding challenge of the absence of such a system (PMS);

The only document that was developed in 2004 and never reviewed is a performance management framework, which its requirements have not been implemented.

For compliance matters, the annual performance agreements are only signed by the Municipal Manager and section 56/57 managers; this has not been cascaded to all other staff below the fixed contract term posts of managers.

In terms of the organizational structure there are four managers that account directly to the Municipal Manager, namely, Technical Manager, Chief Financial Officer, Corporate Services and Community Services; all these positions are vacant and have been filled through acting personnel.

One of the major challenges that cause the vacancy at such a strategic level is the financial constraints experienced by the municipality.

Therefore the current status of organizational development must be improved in order for favorable outputs to be realized.

1.1.7. 2010 – 2011 Auditor General Report

The Municipality received a disclaimer of audit opinion for the 2010/11 financial year. The accounts of this Municipality were too deficient in essential detail for the Auditor General to form an opinion as to the financial viability or rectitude of this Municipality. The main root causes were failure to provide complete and adequate records in the areas of: Property, plant and equipment; Trade and other payables; Revenue; Expenditure; Irregular expenditure and fruitless and wasteful expenditure.

1.1.8. Statutory Annual Report Process

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4 th quarter Report for previous financial year	
4	Submit draft 10/11 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
7	Mayor tables the unaudited Annual Report	
8	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
10	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	
11	Municipalities receive and start to address the Auditor General's comments	September – October
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	November
13	Audited Annual Report is made public and representation is invited	
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight report	December
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	January

2.1. Political Governance

Mohokare Local Municipality was established in terms of the provincial Gazette No. 14 of 28 February 2000 issued in terms of Section 21 of the Local Government Notice and Municipal Demarcation Act No.27 of 1998.

Mohokare is Local Municipality and was established on 5 December 2000. Mohokare is made up of three former TLC Local Authorities which are Zastron, Rouxville and Smithfield. The 2008/2009 demarcation processes saw this Municipality increase from having only 5 wards to 6 wards and this process brought about a gain of one more seat in the council, meaning that Mohokare now has a total number of 11 public representatives constituting the council, however this did not change the type of a council Mohokare was, it remained to be a plenary type of a Council.

By 2010 – 2011 financial year, which was the year were we would once again as local government go to elections to elect new councils, the legitimate council before the March 18, 2011 Local Government Elections is outlined below;

- | | |
|---|--|
| 1. Mayor & Ward 5 Councilor: | Cllr. M. J. Sehanka |
| 2. Ward 1 Councilor | Cllr. M. Mathibeli |
| 3. Ward 2 Councilor | Cllr. M. Mphako |
| 4. Ward 3 Councilor | Cllr. M. Letele |
| 5. Ward 4 Councilor | Cllr. S. B. Majenge |
| 6. Democratic Alliance PR Councilor: | Cllr. J. Gertenbacht |
| 7. Pan African Congress PR Councilor: | Cllr. Mohapi, who passed away and was replaced by PAC Cllr. Nzinzane |
| 8. African National Congress PR Councilor: | Cllr. T. G. Mbangula |
| 9. African National Congress PR Councilor: | Cllr. N. B. Shiya |
| 10. African National Congress PR Councilor: | Cllr. N. Motsetse |

Subsequent to the successfully held May 18, 2011 Local Government elections, the Council then changed as outlined below;

- | | |
|--|------------------------|
| 1. Mayor & Ward 4 Councilor: | Cllr. M. Shasha |
| 2. Ward 1 Councilor | Cllr. T. Khasake |
| 3. Ward 2 Councilor | Cllr. M. Letele |
| 4. Ward 3 Councilor | Cllr. L Lekhula |
| 5. Ward 5 Councilor | Cllr. T. E. Backward |
| 6. Ward 6 Councilor | Cllr. R. Thuhlo |
| 7. Democratic Alliance PR Councilor | Cllr. I Riddle |
| 8. Democratic Alliance PR Councilor | Cllr. S. Sephoka |
| 9. African National Congress PR Councilor | Cllr. M. J. Sehanka |
| 10. African National Congress PR Councilor | Cllr. N. I Mehlomakulu |
| 11. African National Congress PR Councilor | Cllr. S. B. Majenge |

It is evident from the party allocations that the Mohokare Local Municipal Council is ANC led, with nine (9) councilors from the ANC and two (2) from the DA.

2.1.1 Council Committees

Mohokare Local Municipal Council during both the above mentioned council terms resolved to establish section 79 committees and named them as follows;

Name of committee	Chairperson prior to elections	After elections in the new council
Planning and Local Economic Development Committee	Cllr. M. Mphako	Cllr. I Mehloakulu
Finance Committee	Cllr. M. J. Sehanka	Cllr. R. Thuhlo
Technical Committee / Infrastructure Committee	Cllr. M. Mphako	Cllr. E. Backward
Community Services Committee	Cllr. S. B. Majenge	Cllr. Khasake
Corporate Services Committee	Cllr. N. Motsetse	Cllr. L. Lekhula
Audit Committee (Shared in the district)	Mr. M Mohlakoana	Mr. S. Segalo
Oversight Committee	Cllr. S. B. Majenge	Chairperson not yet appointed by end of 10/11
Speaker's Office Committee	Cllr. M. J. Sehanka	Disestablished

Important to note from the above committees is the following;

- That the oversight committee as established by Council is constituted by a community member and retired educator: Mrs. Buyambo
- That the Audit committee is a district shared committee utilized by all Municipalities within the Xhariep District

The oversight committee has held a meeting to consider the 2008 – 2009 and the 2009 – 2010 Annual reports on the 29th / 03 / 2011; and tabled the oversight report in council on the 30 / 03 / 2011

2.1.2. Council Resolutions

The Council is the policy maker, decision maker and the ultimate accountability for this structure is to the communities that they represent, therefore all business that Council undertakes is of the interest of its constituency which are communities in Mohokare jurisdiction.

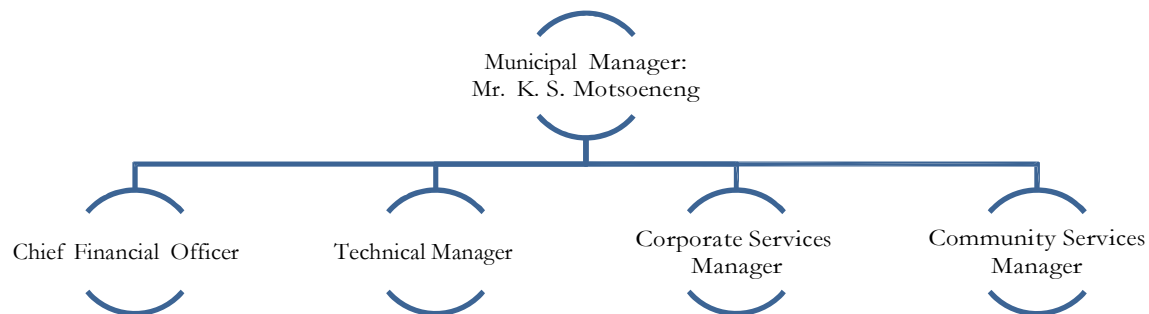
The Council implements its objectives by taking resolutions on how to improve people's lives and the implementation of these resolutions is delegated to the accounting officer, the Municipal Manager; During the 2010 – 2011 period, 98% of the resolutions taken are in the process of being completed (ongoing implementation).

2.2 Administrative Governance

Mohokare Local Municipality strives for improved service delivery and efficiency in customer care relations, in order to do these tasks the Municipality has an organizational structure that talks to the needs of Council and the Powers and Functions of a plenary type Municipality.

The Municipal Manager as the CEO / Accounting Officer has ensured that the organizational structure that will enable the implementation of service delivery tasks is reviewed.

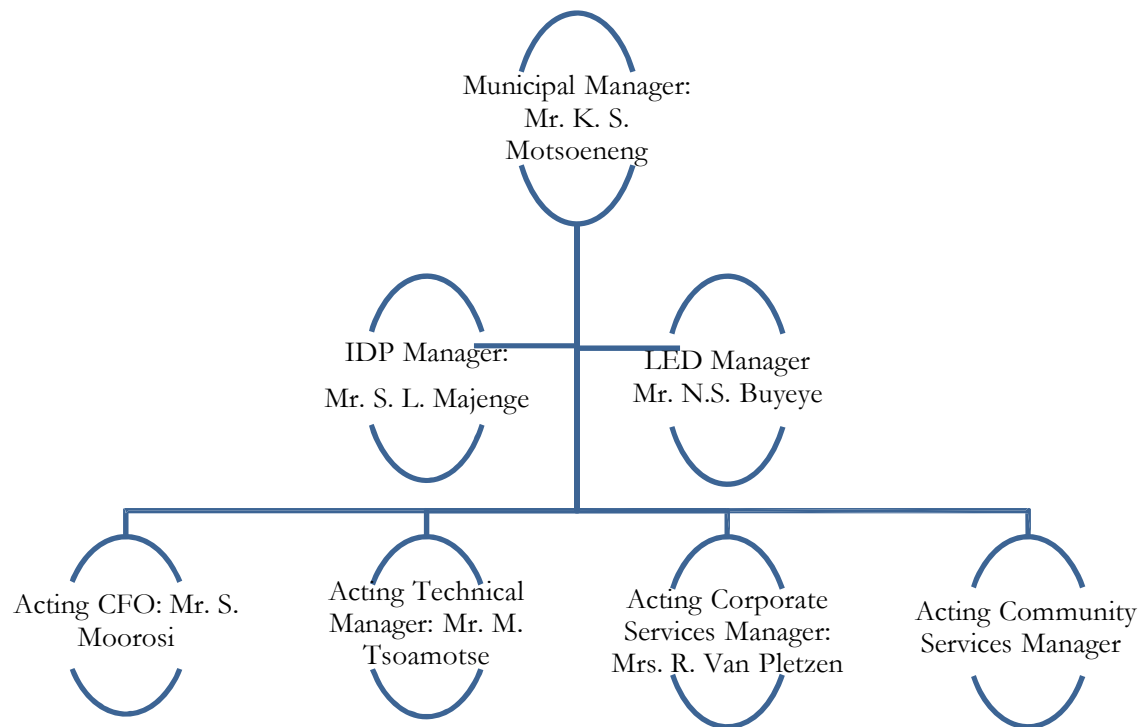
The Municipality is headed by the Municipal Manager and Managers directly accountable to the Municipal Manager, currently the top management structure of Mohokare Local Municipality is as shown below;



During the 2010 – 2011 financial year, all posts of Managers directly accountable to the Municipal Manager were vacant and occupied through acting officials as outlined below;

Acting Chief Financial Officer:	Mr. S. Moorosi
Acting Technical Manager:	Mr. M. N. Tsoamotse
Acting Community Services Manager:	Mr. T. Lekwala
Acting Corporate Services Manager:	Mrs. R Van Pletzen

The Municipal Manager and the acting Head of departments extended to the Integrated Development Planning Manager & the Local Economic Development Manager form the management of Mohokare Local Municipality; Therefore the Management structure is as shown below;



The above mentioned structure and the names remained until the Municipal Manager; Mr. K. S. Motsoeneng took leave in order to allow a forensic investigation commissioned by the department of Cooperative Governance and Traditional Affairs (previously known as the department of local government and Housing), the department then seconded Mr. T. C. Panyani, who is a Chief Financial Officer in the Xhariep District Municipality, as a Care Taker Municipal Manager pending the completion and outcome of the forensic investigation report. Mr. Panyani joined as caretaker Municipal Manager from 01 November 2010 to date.

2.3 Intergovernmental Relations

The Intergovernmental Relations Framework Act 13 of 2005 seeks to establish a framework for the National, Provincial and Local governments to promote and facilitate intergovernmental Relations to provide for mechanisms and procedures to facilitate the settlement of intergovernmental disputes and to provide for matters connected herewith.

Informed by guiding legislation and policies related to IGR structures, Xhariep District Municipality established an IGR forum where which Mphahlele as a Municipality is a member of, this forum holds meetings quarterly to engage on issues pertaining to service delivery. There are two structures of IGR, the Political IGR and the Technical IGR; The Political IGR is the structure for Mayors and Councilors and the technical structure for Municipal Managers and Key Managers & Officials.

The Municipality guided by the framework and other policies in good relations with other government departments for the sole reason of service delivery; it can be noted that the Mohokare Regional Bulk Water Scheme project funded by the Municipal Infrastructure Grant is a result of good relations between the Municipality and other government sectors such as the department of water affairs and the Office of the Premier.

2.4. Relationship with municipal entities

Mohokare Local Municipality does not have any entities.

3. Public Accountability and Participation

Public accountability pertains to the obligations of persons or entities entrusted with public resources to be answerable for the fiscal, managerial and program responsibilities that have been conferred on them and to report to those that have conferred these responsibilities.

It is clear that municipalities included, have an obligation to account for the way resources are allocated and used, and the results achieved. In other words, the main objectives of all public accountability initiatives are to ensure that public money is spent most economically and efficiently.

Chapter four (4) of the Local Government Municipal systems act 32 of 2000 states that a municipality must develop a culture of municipal governance that complements formal representative government, with a system of participatory governance. This promotes accountability and participation.

Mohokare utilises general ward meetings, mass meetings and public notices to disseminate public information; this is done through a council adopted annual schedule of meetings with the communities.

3.1. Public Meetings

3.1.1. Communication, Participation and Forums

Mohokare has a communications policy adopted by council and communicates to communities through the council adopted schedule of meetings as mentioned earlier; there are quarterly held mass meetings for the Mayor and Ward Councilors hold their ward meetings bi-monthly; AND Ward Committees have been established.

During the review or development of the Integrated Development Plan and the Budget consultation sessions are held with stakeholders and community meetings are also held to facilitate the process.

There is also a stakeholders forum chaired by the Mayor, constituted by all government departments offering services in the jurisdiction of Mohokare Local Municipality, this stakeholder forum holds monthly regular meetings and are well attended.

The information on the performance of ward committees was not available by submission of the 2010/2011 draft annual report.

3.2. IDP Participation

Mohokare Local Municipality reviews annually the IDP document as dictated by the Local Government Systems act and the MFMA. This process is owned and undertaken and owned by the Council through the adoption of the budget time-lines and the process plan that will be advertised in local newspapers, meetings are then convened for stakeholders and communities to ensure extensive participation by the local community.

The 2010 / 2011 IDP and the Budget were successfully reviewed using the processes stated above. The advertised process plan that was adopted by council is outlined here below;

INTERGRATED DEVELOPMENT PLANNING REVIEWS AND BUDGET PREPARATIONS PROGRAMME FOR 2010/2011 FINANCIAL PERIOD

ActivityNo	IDP AND BUDGET ACTIVITY OBJECTIVE	DATE AND VENUE	TIME
1	IDP TECHNICAL COMMITTEE SESSION OBJECTIVE: PRE – PLANNING REPORT PRESENTATION, PROJECTS SCREENING AND DRAFT IDP DOCUMENT.	16 November 2009	10H00
2	MUNICIPAL DEPARTMENT'S BILATERAL SESSIONS. OBJECTIVE: IDENTIFICATION OF SERVICE GAPS AND FORMULATION OF DEPARTMENTAL PRIORITIES, OBJECTIVES, STRATEGIES AND PROJECTS.	18 November 2009 19 November 2009	09H00
3	WARD COMMITTEES CONSULTATION SESSIONS: OBJECTIVE: REVIEW PRIORITIES, RE-PRIORITISATION, VISION AND MISSION, OBJECTIVES, STRATEGIES AND PROJECTS.	30 November 2009	10H00
4	AREA LEVEL STAKEHOLDER CONSULTATION SESSIONS. OBJECTIVE: REVIEW PRIORITIES, RE-PRIORITISATION, VISION AND MISSION, OBJECTIVES, STRATEGIES AND PROJECTS.	19 January 2010 20 January 2010 21 January 2010	17H00
5	AREA LEVEL WARD BASED CONSULTATION SESSIONS. OBJECTIVE: REVIEW PRIORITIES, RE-PRIORITISATION, VISION AND MISSION, OBJECTIVES, STRATEGIES AND PROJECTS.	15 th February 2010 16 th February 2010 17 th February 2010 18 th February 2010	17H00
6	STRATEGIC PLANS PRESENTATIONS BY PROVINCIAL DEPARTMENTS OBJECTIVE: GATHER PROVINCIAL PLANS AND BUDGET IMPLICATIONS FOR MOHOKARE	8 th March 2010 9 th March 2010	10H00
7	IDP TECHNICAL COMMITTEE SESSION OBJECTIVE: REPORT CONSOLIDATION, PROJECTS SCREENING AND DRAFT IDP DOCUMENT.	10 th March 2010	10H00
8	TABLING OF THE 1ST DRAFT IDP AND BUDGET TO COUNCIL. OBJECTIVE: ADOPTION TO ENABLE COMMUNITY AND STAKEHOLDER INPUTS AND COMMENTS	31 st March 2010	10H00
9	PUBLICATION / ADVERTISEMENT OF DRAFT IDP AND BUDGET DOCUMENTS. OBJECTIVE: COMMENTS FROM COMMUNITY, STAKEHOLDERS AND ROLE PLAYERS.	1 st April 2010	A.S.A.P.
10	PRESENTATION OF FINAL REVIEWED IDP AND BUDGET DOCUMENTS TO COUNCIL. OBJECTIVE: FINAL ADOPTION OF THE REVIEWED IDP AND THE BUDGET DOCUMENT FOR THE STRATEGIC PERIOD OF 2010/2011	30 TH Apr 2010	10H00

4. Corporate Governance

Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations.

Well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. To that end, organizations have been formed at the regional, national, and global levels.

Municipalities too, are expected to practice well-defined corporate governance.

4.1. Risk Management; Anti-Corruption & Fraud Prevention

The Municipality does not have a risk management policy; however the Xhariep District Municipality, in October 2010, appointed a Chief Risk Officer to be utilized by all local municipalities in the district. An Anti – Fraud and Corruption Strategy exists and was developed in 2008, but has not been reviewed.

The Chief Risk Officer conducted the Risk Assessment during September 2010. It should be noted with importance that the Chief Risk Officer completed the following exercises;

- a. Draft Risk Policy
- b. Fraud Risk Assessment

And;

The Fraud prevention plan and Risk assessment plan will be tabled to Council in the 2011/12 financial year.

4.2. Supply Chain Management

Supply chain management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies. It is said that the ultimate goal of any effective supply chain management system is to reduce inventory (with the assumption that products are available when needed).

Mohokare Local Municipality has a Supply Chain Management policy and procurement policies that are reviewed annually and guide procurement processes as dictated by the Municipal Finance Management Act.

The Municipality has the following bid committees;

- Bid Specifications Committee
- Bid Evaluation Committee
- Bid Adjudication Committee

However the Bid Evaluation Committee had been outsourced and conducted externally, the BEC (bid evaluation committee) function started to operate from internally as from the month of December 2010 until the end of 2010/11 financial year and onwards.

4.3. By-Laws

The following are the by-laws approved and promulgated by the Council during their period of service from March 2006 to end March 2011:

- Standard Rules & Orders - adopted 17 March 2006
- Credit Control & Debt Collection – adopted 27 June 2008
- Dumping and Littering &
Impoundment of Animals – adopted 28 July 2008
- Keeping of Animals – adopted 06 March 2006
- Property Rates By-Law – adopted 03 June 2009

Section 10 (1) of our Establishment Notice (Provincial Notice 181 of 2000) reads as follows:

“By-laws and resolutions (including standing delegations) of a disestablished municipality ... (a) continue in force in the area in which they were applicable subject to any amendment or repeal by the competent municipality”

Apart from the aforesaid by-laws adopted by the former Council, there are the by-laws of the disestablished municipalities in Mohokare area of jurisdiction that are still valid in their respective areas until they have been rationalized by Mohokare municipality.

In terms of section 15 of the Local Government Municipal Structures Act our municipality must review and where necessary rationalize these existing by-laws. The process was delayed due to financial constraints of our municipality followed by an initiative from the department of Cooperative Governance and Traditional Affairs whereby a standard set of by-laws will be promulgated, the current annual year ended with the process still pending from the side of the department.

4.4. Website

According to section 75 of the MFMA the accounting officer of the municipality must place on the website documents referred to in section 21A of the Municipality Systems Act, No. 32 of 2000.

The documents are the following:

- Budget Related Policies
- Performance agreements
- All service delivery agreements
- Long-term borrowing contracts
- Supply Chain management contracts above R100 000
- Information statement containing a list of assets over a prescribed value that have been disposed in terms of section 14(2) or (4) during the previous quarter.
- Contracts having future budgetary implications to which section 33 of the MFMA applies.
- All quarterly reports tabled in the council in terms of section 52(d) of the MFMA.
- Any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

Most of the indicated documents do appear on the municipal website, however it should be noted that there is a serious training need that has to be addressed to ensure that the website is current and constantly updated, the website can be accessed through the following domain www.mohokare.gov.za

5. Service Delivery Performance (Part I)

During the year under review, the Municipality acquired service delivery machinery and equipment (yellow fleet), however due to the cash flow challenges and affordability, the fleet acquisition had to be reversed and cancelled.

The Municipality then resorted to acquiring assets and equipment in phases that correspond to financial years as per affordability.

Service delivery in Mohokare Local Municipality mainly focuses on the following areas;

- Access to water
- Sanitation
- Electricity
- Refuse collection
- Human Settlement (Housing)
- Roads & Storm Water
- Free Basic Services and Indigent Support

5.1. Basic Services

5.1.1. Access to Water

The Municipality has been experiencing major challenges in the supply of drinking water in Smithfield and Rouxville in particular. This was as a result of a draught which affected the constant flow of Caledon River and the raw water storage facilities (Smithfield and Kalkoenkrans dams).

Short term methods of water supply was initiated where ground water supply was explored by drilling and equipping of three(3) boreholes in Smithfield and four(4) boreholes in Rouxville. The Municipality has now been granted funds (R10 million) by the Department of Water Affairs under the Regional Bulk Water Scheme Programme to start with the implementation of the Rouxville Bulk Water Supply Project abstracting raw water from Orange river.

The Municipal performance in the management of water services was evaluated by the department of Water Affairs and the outcomes were published nationally by the Minister under the Blue drop report. Below is performance score for Blue drop:

Blue Drop Performance

TOWN NAME	PERCENTAGE SCORE
1. Zastron	80.28 %
2. Rouxville	70.47 %
3. Smithfield	80.38 %
AVERAGE SCORE	80.1 %

Green Drop Performance

TOWN NAME	PERCENTAGE SCORE
1. Zastron	49 %
2. Rouxville	60.3 %
3. Smithfield	64.5 %
AVERAGE SCORE	58.6 %

Basic Service	% provision	
	MTEF period	
	2009 / 2010	2010 / 2011
Household access to water	100%	100%
Households with access to free 6kl free	100%	100%

Employees: Water Services					
Job Level	2009/10	2010 / 11			
	Employees Number	Posts Number	Employees Number	Vacancies Number	Variance (as a % of total posts) %
0 – 3	37	40	37	3	
4 – 6	6	10	6	4	
7 – 9	3	3	3	0	
10 – 12					
13 – 15					
16 – 18					
19 – 20					
Total	46	53	46	7	

Financial Performance 2010/11: Water Services					
Details	2009/10	2010/11			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total operating Revenue (excluding tariffs)	R 5,465,360.00	R 6,012,000.00	R 8,954,000.00	R 6,719,753.00	R 2,234,247.00
Expenditure:	R 5,301,558.00	R 8,563,000.00	R 5,585,000.00	R 6,006,836.00	R -421,836.00
Employees				R 4,363,538.00	
Repairs & maintenance					R 0.00
Other				R 1,643,298.00	
Total operating expenditure	R 5,301,558.00	R 8,563,000.00	R 5,585,000.00	R 6,006,836.00	R -421,836.00

2009/10 figures are not audited.

Capital Expenditure 2010 / 2011 Access to Water					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total All	R 3 582 856.3		R 2 946 943.3	51.9%	
Implementation readiness study	R 1 332 308.3	-	R 1 332 308.3	0%	R 1 332 308.3
Borehole development	R 1 025 139.20	-	R 1 025 139.20	0%	R 1 025 139.20
Refurbishment of Smithfield water works sand filters	R 1 225 408.80	-	R 589 345.80	51.9%	R 1 225 408.80
Refurbishment of Zastron water works sand filters					

Unaudited Information

ANNUAL BLUE DROP RESULTS – 2011

As Sector Regulator, the Department of Water Affairs has set systems in place to ensure the steady and sustainable improvement of Drinking Water Quality Management (DWQM) by the responsible institutions. This is done through the implementation of the prestigious Blue Drop Certification Programme. The primary objective of this programme is to empower ordinary South Africans and international visitors to make sound decisions on tap water consumption.

The Regulator's confidence in DWQ Management in the various water systems is communicated through this programme, based upon preventative systems in place at municipal level to ensure the sustainable safeness of drinking water. The Mohokare Local Municipality is both a Water Service Provider and Water Services Authority. This therefore means that the municipality is responsible for provisioning and management of the water quality service.

The Municipality annually participates in the Blue Drop Assessment and continually strives towards achieving its Blue Drop Status. The 2010 year of assessment saw the municipality achieving an overall 54%. Come the 2011 assessment period, the Water and Wastewater Quality Management Department of the Municipality strived at improving the score. Hard work and dedication by the Municipality has been proven by the results published by the Department of Water Affairs. The Municipality is proud to announce that is ranked among the top five municipalities in the Free State with an outstanding 80.10% at the Blue Drop Assessment Results. The achievement of this result is a clear indication of the municipality's commitment to provide residents with water that conforms to sustainable safeness.

The overall percentage still does not reflect the fact that a lot has to be done in order for the Municipality to achieve its Blue Drop Status. Shortcomings identified by the department needing attention for the attainment of this award are the following:

- The Water Services Authority should ensure submission of data for a full SANS 241 analyses per supply system as reported to have been done during the risk assessment
- Improve compliance with the implementation of the system specific chemical monitoring programmes
- A high priority risk area should be disinfection that requires continuous monitoring and improvement, while the municipality also investigates overall turbidity failures as this could affect future acceptability
- Staff competency and asset management should be simultaneously strengthened and improved

Consumers could be placed at risk if the municipality fails to maintain safe drinking water quality with plants not managed at optimum operation efficacy. Based on the above shortcomings, the municipality will pay attention and ensure that these are addressed as a matter of urgency.

Below is the full SANS 241: 2011 AND the Blue Drop Score Card for Mohokare

Water Services Authority: **Mohokare Local Municipality**

Water Services Providers: **Mohokare Local Municipality**

Municipal Blue Drop Score 2011: **80.10%**

Performance Area	Systems	Rouxville	Smithfield	Zaston
Water Safety Planning Process & Incident Response Management		86	85	85
Process Control, Maintenance & Management Skills		70	60	70
Monitoring Programme		75	75	75
Credibility of Sample Analyses		62	61	59
Submission of Results		100	100	100
Drinking Water Quality Compliance		93	93	93
Performance Publication		75	75	75
Asset Management		45	45	45
Bonus Scores		3.1	3.2	3.1
Penalties		0.1	0.1	0.1
Blue Drop Score (2011)		80.38% (↑)	79.47% (↑)	80.28% (↑)
Blue Drop Score (2010)		54.38%	54.38%	30.38%
System Design Supply Capacity (Ml/d)		2.88	2.16	3.024
System Operational Capacity		NI	NI	NI
Population Served by System		10 000	10 000	18 000
Ave. Daily Consumption per Capita (l)		NI	NI	NI
Microbiological Compliance(12 months)		99.10%	98.70%	97.22%
Chemical Compliance(12 months)		100.00% (11 months)	100.00% (11 months)	100.00% (11 months)

Regulatory Impression:

Overall, MohokareLocalMunicipality showed a marked improvement in managing drinking water quality (DWQ) services within its area of jurisdiction. While DWQ data showed excellent water quality in all the supply systems, DWA applied a marginal penalty until such time that evidence confirms compliance monitoring for *E. coli* and Aluminium only provides sufficient information to confirm the suitability of drinking water within the Mohokare municipality.

While DWA encourages the municipality to maintain monitoring against the microbiological monitoring programmes registered per supply system, the WSA should ensure submission of data for a full SANS

241 analyses per supply system as reported to have been done during the risk assessment. Thereafter, Mohokare should improve compliance with implementation of the system specific chemical monitoring programmes. Disinfection should remain a high priority risk area requiring continuous monitoring and improvement, while the municipality also investigate overall turbidity failures as this could affect future acceptability.

On the positive, the Department congratulates the municipality for developing a water safety plan and improving DWQ performance publication to the public. Efforts should remain to improve on processes already underway, simultaneously strengthening attempts to improve staff competency and asset management. Consumers could be placed at risk if the municipality fails to maintain safe drinking water quality with plants not managed at optimum operation efficacy.

5.1.2 Access to Sanitation

The Municipality is still on a mission to provide high level (level 3, water borne sanitation) of sanitation services to its communities. The current backlog in the eradication of bucket sanitation stands as follows:

NAME OF TOWN	BACKLOG
1. Zastron	0 (Buckets are only collected on currently blocked sewage main lines)
2. Rouxville	777
3. Smithfield	54
TOTAL	831

Access to Sanitation	% provision	
	MTEF period	
	2009 / 2010	2010 / 2011
Household with access to sanitation (Waterborne)	91.84%	91.87%

Employees: Sanitation Services					
Job Level	2009/10	2010 / 11			
	Employees	Posts	Employees	Vacancies	Variance (as a
	Number	Number	Number	Number	% of total posts) %
0 – 3					
4 – 6	29	38	29	9	
7 – 9					
10 – 12	1	3	1	2	
13 – 15					
16 – 18					
19 – 20					
Total	30	41	30	11	

Financial Performance 2010/11: Sanitation Services					
	2009/10	2010/11			
Details	Actual	Original	Adjustment	Actual	Variance to
		Budget	Budget		Budget
Total operating Revenue (excluding tariffs)	R 4,708,594.00	R 5,138,000.00	R 7,207,000.00	R 5,727,712	R 1,479,288.00
Expenditure:	R 4,971,595.00	R 8,272,000.00	R 7,582,000.00	R 7,851,991.00	R (269,991.00)
Employees	R 4,725,102.00			R 5,622,685.00	
Repairs & maintenance	R 121,636.00			R 86,375.00	
Other	R 124,857.00			R 2,142,931.00	
Total operating expenditure	R 4,971,595.00	R 8,272,000.00	R 7,582,000.00	R 7,851,991.00	R (269,991.00)

2009/10 figures are not audited.

Capital Expenditure 2010 / 2011 Access to sanitation					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total All					
BEP for 777 sites in Rouxville	R 2,205,275.00		R 81,584.69	R 2,123,690.40	R12,970,920.00
Upgrading of the Smithfield Oxidation ponds	R1,834,801.26		R 2,810,965.09	- R976,163.83	R 6,800,000.00
Upgrading of the Zastron Waste Water Works	R 2,662,489.61		R 2,662,489.61	R 883,531.34	R 5,700,000.00

Unaudited Information

5.1.3. Access to electricity

Electricity as stated earlier is managed through CENTLEC, and at compilation of this draft annual report, information was not yet available from CENTLEC, however the municipality does have service delivery information;

Electricity	% provision	
	MTEF period	
	2009 / 2010	2010 / 2011
Household with access to electricity	94.8%	97%

The municipality in its endeavor to take over the electricity function has managed to employ electricians, Chief Electrician, Electrician and a trainee electrician, so the table below reflects

only data concerning Mohokare Local Municipality, this excludes CENTLEC information;

Employees: Electricity					
Job Level	2009/10	2010 / 11			
	Employees Number	Posts Number	Employees Number	Vacancies Number	Variance (as a % of total posts) %
0 – 3					
4 – 6					
7 – 9	1	1	1	0	
10 – 12	1	1	1	0	
13 – 15	1	1	1	0	
16 – 18					
19 – 20					
Total	3	3	3	0	

Financial Performance 2010/11: Electricity					
Details	2009/10	2010/11			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total operating Revenue (excluding tariffs)	R 12,001,430.00	R 14,897,000	R 9,181,000	R 12,040,738.00	R -2,859,738
Expenditure:	R 796,930.00	R 11,115,000.00	R 4,788,000.00	R 16,924,656.29	R -12,136,656.29
Employees	R 29,325.00			R 634,472.29	
Repairs & maintenance	R -			R 12,893.00	
Other	R 767,605.00			R 16,277,291.00	
Total operating expenditure	R 796,930.00	R 11,115,000.00	R 4,788,000.00	R 16,924,656.29	R -12,136,656.29

2009/10 figures are not audited.

There were no capital projects for electricity during year under review.

5.1.4 Refuse Collection

Refuse Collection	% provision	
	MTEF period	
	2009 / 2010	2010 / 2011
Household access to refuse collection	98.1%	99%

Employees: Refuse Collection Services					
Job Level	2009/10	2010 / 11			
	Employees Number	Posts Number	Employees Number	Vacancies Number	Variance (as a % of total posts) %
0 – 3					
4 – 6	36	36	36	36	
7 – 9					

10 – 12					
13 – 15					
16 – 18					
19 – 20					
Total	36	36	36	36	

2009/10 figures are not audited.

Financial Performance 2010/11: Refuse Collection Services					
	2009/10	2010/11			
Details	Actual	Original	Adjustment	Actual	Variance to
		Budget	Budget		Budget
Total operating Revenue (excluding tariffs)	R 3 126 957.00	R 3 458 000.00	R 6 134 000.00	R 3 786 978.00	R 2 347 022.00
Expenditure:	R 2 611 823.00	R 7 923 000.00	R 4 227 000.00	R 4 790 226.22	R -563 226.22
Employees	R 2 050 392.00			R 3 049 724.52	
Repairs & maintenance	R 79 763.00			R 312 815.70	
Other	R 481 668.00			R 1 427 686.00	
Total operating expenditure	R 2 611 823.00	R 7 923 000.00	R 4 227 000.00	R 4 790 226.22	R -563 226.22

2009/10 figures are not audited.

5.1.5. Human Settlement (Housing)

It should be noted that Human Settlement is the provincial function and the Municipality facilitates the function. However the Municipality has in its employ, staff dedicated to housing services.

Human Settlement	% provision		
	MTEF period		
	2008 / 2009	2009 / 2010	2010 / 2011
Allocation of Houses	810	0	400
Backlog in housing provision	1801	500	500

Employees: Human Settlement (Housing)					
Job Level	2009/10	2010 / 11			
	Employees	Posts	Employees	Vacancies	Variance (as a % of total posts)
	Number	Number	Number	Number	
0 – 3					
4 – 6	2	8	2	6	
7 – 9	0	1	0	1	
10 – 12	1	3	1	2	
13 – 15	1	1	1	0	
16 – 18					
19 – 20					
Total	4	13	4	9	

Financial Performance 2010/11: Human Settlement (Housing)					
	2009/10	2010/11			
Details	Actual	Original	Adjustment	Actual	Variance to
		Budget	Budget		Budget
Total operating Revenue (excluding tariffs)	R 399,594.00	R 296,000.00	R 518,000.00	R 451,797.00	R 66,203.00
Expenditure:	R 457,549.00	R 865,000.00	R 750,000.00	R 692,847.00	R 57,153.00
Employees	R 425,873.00			R 628,861.00	
Repairs & maintenance	R -			R -	R -
Other	R 31,676.00			R 63,986.00	
Total operating expenditure	R 457,549.00	R 865,000.00	R 750,000.00	R 692,847.00	R 57,153.00

2009/10 figures are not audited.

Capital Expenditure 2010 / 2011 Human Settlement					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total All					
100 Houses (Furn Serve Construction) in Zastron	724, 178 000-00	-			
100 Houses (Mamotsotua Construction) in Zastron	724, 178 000-00	-			
100 Houses (Matjhaba Procurement Trust) in Rouxville	724, 178 000-00	-			
100 Houses (Quantum leap Investment) in Smithfield	724, 178 000-00				

Unaudited Information

Important to note is that the Human Settlement Budget for provision of Houses solely rests with and is the responsibility of the Free State department of Cooperative Governance and Traditional Affairs.

5.1.6. Roads and Storm Water

Mohokare Local Municipality has a great challenge in terms of the maintenance of Roads & Storm Water channels, given the financial status of the municipality, it makes it difficult to fund the full maintenance of roads and storms water channels from own funds.

Gravel Road Infrastructure	Kilometers		
	MTEF period		
	2008 / 2009	2009 / 2010	2010 / 2011
Total gravel roads			
New gravel roads constructed	0.8km	0km	0km
Gravel roads upgraded to tar	0km	0km	0km
Gravel roads maintained			4.7km

Tarred road infrastructure	Kilometers		
	MTEF period		
	2008 / 2009	2009 / 2010	2010 / 2011
Total tarred roads	0	0	0
New tarred roads constructed	0	0	4.14
Existing tar roads re-tarred	0	0	0
Existing tar roads re-sheeted	0	0	0
Tar roads maintained	0	0	0

Employees: Roads & Storm Water Services					
Job Level	2009/10	2010 / 11			
	Employees	Posts	Employees	Vacancies	Variance (as a
	Number	Number	Number	Number	% of total posts) %
0 – 3					
4 – 6	12	12	12	0	
7 – 9					
10 – 12	1	1	1	0	
13 – 15					
16 – 18					
19 – 20					
Total	13	13	13	0	

Financial Performance 2010/11: Roads & Storm Water Services					
Details	2009/10	2010/11			
	Actual	Original	Adjustment	Actual	Variance to
		Budget	Budget		Budget
Total operating Revenue (excluding tariffs)	-	R 9 000.00	R 52 000.00	R -	R 52 000.00
Expenditure:	R 1 929 621.00	R 7 806 000.00	R 7 200 000.00	R 8 772 009.00	R -1 572 009.00
Employees	R 1 673 307.00			R 2 215 873.00	R 1 673 307.00
Repairs & maintenance	R 113 650.00			R 23 099.00	
Other	R 142 664.00			R 6 533 037.00	
Total operating expenditure	R 1 929 621.00	R 7 806 000.00	R 7 200 000.00	R 8 772 009.00	R -1 572 009.00

2009/10 figures are not audited.

Please note that the Traffic Management is included within the financial performance of Roads & Storm Water Services, this is due to the arrangements as set out in the 2010/2011 Budget.

Capital Expenditure 2010 / 2011 Roads & Storm Water Services					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total All					
Roleleathunya Access road	12 460 000.00		2 777 113.14	12 460 000.00	

Unaudited Information

5.1.7. Free Basic Services and Indigence Support

Free Basic Household Services	% provision	
	MTEF period	
	2009 / 2010	2010 / 2011
Households receiving free basic water	10215	10216
Households receiving free basic sanitation	3367	1948
Households receiving free basic electricity	3191	3086

Financial Performance 2010/11:Cost to Municipality of Free Basic Services delivered					
	2009/10	2010/11			
Services Delivered	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	R 70,025.54	R -	R -	R 429,656.00	R 429,656.00
Sanitation	R 1,890,003.32	R 1,098,000.00	R 1,098,000.00	R -	R1,098,000.00
Electricity	R 278,858.39	R 536,000.00	R 536,000.00	R -	R 536,000.00
Refuse Collection	R 1,448,871.25	R -	R -	R -	R -
Total	R 3,687,758.50	R 1,634,000.00	R 1,634,000.00	R 429,656.00	R1,204,344.00

Unaudited Information

5.2. Planning, Development and Environmental Management

Mohokare has dedicated positions within the organizational structure to ensure proper planning and development, to even explore the potential of tourism promotion in our area. Being a municipality that shares a border with Lesotho presents opportunities that need to be explored and projects initiated. The landscape of the Municipality is not posing serious challenges in terms of property development, business development and better management of land.

The presence of a spatial development framework gives more opportunities to potential positive development and the framework guards against illegal practices in terms of land development.

5.2.1. Introduction to Planning

Town planning has at its aim to see to the optimum organization, use of land and properties so that sustainable development and settlement can be developed in an organized and legal way in accordance to the principles within the local IDP and Spatial Development Framework.

Town planning is an umbrella division as it connects with different disciplines within the municipal sphere. LED, tourism, Environmental Health, Community Services, Rural development as well as Infrastructure to name a few

The National Building Regulations and Building Standards Act 103 of 1977 is the guideline that must be used for approval or not, of a building plan. The Town planning Schemes as well as the title deed must also be taken into account. Building plans are a legal requirement.

A new Draft Spatial Planning and Land Use Management Bill, 2011 is currently on the table for discussion. This bill will repeal the following acts used in Town planning:

- Removal of Restrictions Amendment Act No. 55 of 1977
- Removal of Restrictions Amendment Act No. 18 of 1984
- Physical Planning Act No. 88 of 1967
- Physical Planning Amendment Act No. 87 of 1983
- Physical Planning Amendment Act No.104 of 1984
- Physical Planning Amendment Act No. 92 of 1985
- Physical Planning Act No. 125 of 1991
- Development Facilitation Act No. 67 of 1995

Applications for land use management						
Detail	Formalisation of townships		Rezoning		Built Environmnet	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Planning application received	Unknown	1+ Mooifontein (in process and ongoing)	unknown	3	15	27
Determination made in year of receipt	Unknown	1 Smithfield in process 12erven Kappiedorp	unknown	2	15	27
Determination made in following year	Unknown	1 Smithfield in process ongoing	unknown	none	unknown	1 Erf 248 Mofulatshepe
Applications withdrawn	Unknown	none	unknown	none	unknown	none
Applications outstanding at year end	Unknown	54 sites in Mofulatshepe + 1site Rouxville	unknown	1	unknown	1 Erf 248 Mofulatshepe

Employees: Planning Services					
Job Level	2009/10	2010 / 11			
	Employees Number	Posts Number	Employees Number	Vacancies Number	Variance (as a % of total posts) %
0 – 3					
4 – 6					
7 – 9					
10 – 12	0	2	0	2	
13 – 15	1	2	1	1	
16 – 18					
19 – 20					
Total	1	4	1	3	

Financial Performance 2010/11: Planning Services (Inclusive of LED)					
Details	2009/10	2010/11			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total operating Revenue (excluding tariffs)	R -	R -	R -	R -	R -
Expenditure:	R 530 611.00	R 1 966 000.00	R 864 000.00	R 884 494.00	R -20 494.00
Employees	R 278 371.00			R 640 973.00	
Repairs & maintenance	R -			R -	
Other	R 252 240.00			R 243 521.00	
Total operating expenditure	R 530 611.00	R 1 966 000.00	R 864 000.00	R 884 494.00	R -20 494.00

2009/10 Not Audited

5.2.2. Local Economic Development (Including Tourism & Markets)

Local Economic Development is a process through which public, business, labor, government and non-governmental sector partners work collectively to identify, utilize and harness resources to stimulate local economy, with an aim of increasing local income and creating new job opportunities through enhancing the community's ability to adapt to and cope with changing economic conditions.

The Expanded Public Works Program (EPWP) accounts for the creation of most job opportunities as indicated on the table below, with remarkable growth during 2010/11 financial year.

Tourism and Markets also contribute

Job creation through EPWP projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2008/09	2	42
2009/10	1	120
2010/11	1	520

Employees: Local Economic Development Services					
Job Level	2009/10	2010 / 11			
	Employees	Posts	Employees	Vacancies	Variance (as a % of total posts)
	Number	Number	Number	Number	%
0 – 3					
4 – 6					
7 – 9					
10 – 12	1	2	1	1	
13 – 15	1	1	1	0	
16 – 18					
19 – 20					
Total	2	3	2	1	

Please note that the financial performance information of Local Economic Development is included in the previous section of Planning Services.

Be it noted that municipality does not fund projects, the Municipality's primary task is to create enabling environment for business growth and local economic development.

From financial year 2008/09 to 2010/11 local economic development highly depended on projects which were funded by sector departments as well as National Government (COGTA, Public Works and Treasury). As indicated in the table above, EPWP accounts for

the creation of most job opportunities in the municipality. However, it must be noted that the 2010/11 EPWP program has been suspended due to budgetary constraints.

Mohokare Local Municipality is currently engaging in strategies of addressing unemployment, through focusing on the cooperatives program, ten (10) cooperatives have been registered and trained in Mohokare and the project is on its third face.

We are also in also in a process of establishing tourism forums which are intended to assist the municipality to unearth / explore local tourism potential and also tap on opportunities that are availed by this sector.

5.2.3. Environmental Management

Mohokare Local Municipality as a plenary type of Council and as per the direction and guidance of the Local Government Municipal Powers & Functions, is not responsible for Environmental Management, this is a district function, however as a sphere of Government we deem ourselves responsible for the well-being of our communities, even though legislatively we can only facilitate the implementation part of the environmental management.

Below is a report from the Xhariep District Municipality around issues of Environmental Management, it is very important that this report is included in this annual report. To be noted also is that this report served as a handover report to the New Council after the 2011

Local Government
Elections;

ENVIRONMENTAL HEALTH

REPORT:

MOHOKARE LOCAL MUNICIPALITY



XHARIEP DISTRICT MUNICIPALITY
MUNICIPAL HEALTH SERVICES
PROVIDED TO



MOHOKARE
LOCAL MUNICIPALITY

The report covers the following

Introduction to Environmental Health/Scope of Practice

Challenges based on Scope of Practice

Environmental Health Programmes

PURPOSE

To report on Municipal Health Services provided, the current state, achievements and challenges for Environmental Health in the Mohokare Local Municipal jurisdiction.

BACKGROUND

The purpose of Environmental Health is legislated in the Constitution of the Republic of Southern Africa, 1996 (Act 108 of 1996). Chapter 2 of the Constitution refers to the Bill of Rights and section 24 of the bill specifically refers to Environment and makes reference to the following:

Everyone has the right-

- (a) To an environment that is not harmful to their health or well-being; and
- (b) To have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that:
 - (i) prevent pollution and ecological degradation;
 - (ii) Promote conservation; and
 - (iii) Secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development

It is for the above reasons that environmental health is such an importance and it is readily available to ensure that the all people receive the mentioned rights.

ENVIRONMENTAL HEALTH/SCOPE OF PRACTICE

The National Health Act, 2003 (Act 61 of 2003) defines MUNICIPAL HEALTH SERVICES (MHS) as:

1. Food control
2. Water quality monitoring
3. Waste management
4. Health surveillance of premises
5. Vector control
6. Surveillance and prevention of communicable diseases, excluding immunizations
7. Environmental pollution control
8. Disposal of the dead
9. Chemical safety

ENVIRONMENTAL HEALTH:

The World Health Organization (WHO) defines Environmental Health by the following: Environmental Health comprises those aspects of human health, including quality of health, which is determined by physical, biological, social and psychological factors in the

environment. It also refers to the theory and practice of assessing, correcting, controlling and preventing those factors in the environment that can potentially affect adversely the health of present and future generations. If one looks at what environmental health is all about, then the objective thereof is the prevention, detection and control of environmental health hazards which affect human health. It is also concerned with all forms of life, substances, forces and well-being. Environmental health therefore embodies the absence or presence of illness, health maintenance, human efficiency and the enjoyment of health.

ENVIRONMENTAL HEALTH CHALLENGES WITHIN MOHOKARE

Food control: within food control, a lot of problems exist as food preparation establishments do not meet many of the food related regulatory requirements to operate such a sensitive business. The division carries out routine health and hygiene inspections with a the regulatory guide. Many of these establishment are not in possession of a Certificate of Acceptability, which is vital as this is an indication that the establishment meets all the requirements of the above regulation and other applicable regulatory framework. The division is very strict and it has come to a point where written notices are served on and if there is no compliance by the third written notice, closure is declared until full compliance exists.

Water Quality Monitoring: the environmental health division, plays a crucial role in ensuring that communities within the municipal jurisdiction receives potable water that conforms to the requirements of regulations and acts such as the National Water Act 1998 (Act 36 of 1998), Water Services Act, 2007 (Act 30 of 2007) and the South African National Standards (SANS) 241 of 2006. At commencement of work at the Mohokare Municipality in January 2010, the division closely monitored water quality by involvement in work with the Water Quality Technician of this Municipality.

The division assisted with the documentation of many of the Annual Blue Drop Certification requirements and processes. Such documentation includes the compilation of first Water Safety and Security Plan, publication of water quality results, identification and registering sampling points, sampling and transporting of water samples to a laboratory at Bloemfontein for analysis, commenting and reporting on water quality management performance in the Annual Municipal Report (2010) and attending relevant meetings, workshops and training. Currently the Environmental Health Division only carries out the function of water quality monitoring and the management aspect thereof, lies with the responsible staff members and manager in the Technical Service Department and is no longer a responsibility of the Environmental Health Practitioner, as water sampling is carried out by the responsible technician.

The Environmental Health Division ensures that water quality results are obtained from the Water Quality Technician and reports thereon to the Manager: Environmental Health at the Xhariep District Municipality. The newly established Environmental Health Division at the Xhariep District Municipality, carries out routine audit water quality monitoring in the

respective local municipalities where the MHS is provided, and these samples are paid for by the District Municipality.

Waste Management: waste management in this local municipality is a big challenge for the division. In the low-income areas of the Mohokare, waste management is almost non-existent. There are many illegal dumping sites and this is visible to any resident and remains a huge challenge, as several complaints have been lodged with this office. The municipality is faced with great challenges with regard to capacity (staffing) and the relevant equipment to deal with the situation. Many “clean-up” actions have been organized by the Acting Manager: Community Services to deal with the “ILLEGAL DUMPING SITES” and this was also a challenge as the manpower to carry this out was insufficient and equipment was not always readily available. To minimize the waste burden and deal with the challenge, the Environmental Health Division organized a CLEAN AND GREENING campaign with the help of the Town Planning Division of this Municipality and youth from the town in the Mohokare. The cleaning and greening campaign took place for a day in each of the three towns during September and October 2010. A total of 150 youth celebrated Arbor week with the practitioner and conducted the clean up action and removal of illegal dumping sites. It can be reported that the clean-up action was effective as many of the illegal dumping sites were removed. Today when the same identified areas are observed, one would never say that anything was done.

Currently the Mohokare Local Municipality has 4 landfill sites, of which only 2 are registered in terms of the National Environmental Management Act, 2008 (Act 59 of 2008). The registered sites are those at Rouxville and Smithfield. Non-compliance with the requirements of the Act exists in all three towns and they are not:

1. Fenced
2. There is no security/surveillance
3. There is no waste management happening at the site
4. There is no equipment for waste management
5. There are no waste minimization strategies in place to reduce the disposal of reusables by landfill and many others

The Environmental Health Division, took it upon itself to address the issue of non-registered landfill sites with all the Acting Technical Services Manager, Community Services Manager and the Municipal Manager. A full report on the closure of one of these landfill sites at Zastron has been forwarded to the above mentioned staff and a readiness report, describing reasons for licensing has been received by the Municipality as compiled by consultants from the DETEA. The report details responsibilities, waste management activities, meetings with relevant staff at Mohokare and cost implications for the registration of landfill sites. It is recommended that should closure of the landfill be approved, an MIG application and business plan be drawn up to acquire funding for the registration process as this is very costly.

Health Surveillance Of Premises: the surveillance of premises like Early Childhood Development Centers, and other is carried out by this division. At many of the ECDs in the Mohokare, non-compliance with legislative requirements is of a concern. The problems at many of the ECDs are with regard to overcrowding, space, ventilation, insufficient ablution facilities and lack of good general hygiene. Many of the centers at ZASTRON have to date received Final Written Notices and still nothing is done by committees, management and the practitioners at the Schools. At Rouxville, the Department of Social Development, want to repair and construct, based on the identified site, a new ECD where other ECDs will be incorporated into, to minimize and remove problems as mentioned above. Health Surveillance of premises includes among others the inspection of premises, building plans to see if these meet certain criteria such as sufficient ventilation, air quality aspects, lighting (illumination), structural safety and others. The monitoring of unsatisfactory health conditions are observed in the Mohokare. Unsatisfactory health conditions exist at Zastron, where residents have overgrown grass on premises, dirty yards, but this is dealt with by serving individuals with written notices. A problem exists with the keeping of animals in residential areas. The problem has been addressed with many residents who keep animals on residential erven, by means of issuing them with written notices. Many of these residents use the fact that the municipality does not have commonage land in place as their excuse and to their advantage.

Vector control: the division is not faced with any challenges, but investigations are carried out to identify vectors, their habitat and breeding places. Zoonotic disease investigations are also carried out by the division these include Rabies, Rift Valley Fever etc.

Environmental Pollution Control: with pollution control, the division is faced with challenges such as general pollution of the environment by mostly littering and air pollution. At this stage the most prevalent of the challenges identified above is pollution of littering.

Surveillance and prevention of communicable diseases, excluding immunizations: the Environmental Health Division carries out routine health and hygiene promotion in communities. The matters discussed include among others diseases and how to prevent these (i.e. cholera, TB, Typhoid) etc. The division conducts epidemiological surveillance of disease (Hepatitis A, Rabies, TB and others). The Mohokare has recently been faced with a challenge with regard to the spread of Hepatitis A, a faecal oral route transmitted disease. The identified individuals were given health education of how to prevent the spread of the disease to close contacts. Other diseases of interest for the area are TB and Rabies. The division has carried out the following campaigns

National Water Week

The Importance of Hand Hygiene at Early Childhood Development Centers with the demonstration and construction of a tippy tap

Cleaning and Greening Campaigns

Campaign on the prevalence of Rift Valley Fever in the Xhariep District

National Environment Day

Disposal of the dead: this function includes the inspection of premises of funeral undertakers, mortuaries and where dead bodies are stored. The monitoring of practices at cemeteries and others for the disposal of the dead and managing and controlling exhumations and reburial or the disposal thereof. The division receives applications for exhumations and carries these out. An application for an exhumation has been received by the division and will be carried out in December of this year, based on the wishes of the applicants family. The only problem that the municipality is faced with at this moment, is that a grave register is not in place, and as a result people bury their relatives in wrong graves and this creates a huge problem as the family who buried in the wrong grave cannot be found.

Chemical Safety: Monitoring and regulating all operators, fumigation firms and formal and informal retailers that deals with the manufacture, application, transport and storage of chemicals;

Permitting, licensing and auditing the premises of the above, e.g. by issuing Scheduled Trade Permits and facilitating advice, education and training on pesticides and/or chemical safety.

Noise Control: the division assesses noise pollution and its effects on human health; it facilitates noise control measures and measures ambient sound level and noise levels.

ENVIRONMENTAL HEALTH PROGRAMMES

1. Mohokare Goes Green:

What is the project about – what does it involve?

The Mohokare Goes Green Campaign was launched on the 10th of December 2010, by the Municipality in support of the Department of Environmental Affairs National Greening Framework.

The campaign is aimed at creating environmental awareness on issues contributing to climate change and how we as municipalities can play an active role in preventing and becoming sustainable local government authorities.

The launch was also based on the municipality's participation in the National Greenest Municipality Competition as presented by the Department of Economic Development, Tourism and Environmental Affairs (DETEEA), Free State.

The Greenest Municipality Competition incorporates elements that provide a broader focus on environmental and social economic issues. The greenest municipality competition consists of five core elements to be evaluated based on the implementation and the success thereof and are the following:

Waste Management,
Energy Efficiency and Conservation,

Water Management,
Landscaping, tree planting and beautification,
Public participation and community empowerment,
Leadership and institutional arrangements

What is the source of funding?

The implementation and running of the project will be financed by the Mohokare Local Municipality based on a Budget for waste management and further support by the Xhariep District Municipality's Budget for the Greening of 17 towns in the District.

What needs to be implemented to qualify for going green (standards)?

There are no standard(s) for the implementation of such a project, but only participation to show that an interest in environmental management exists at our institution. Implementation of the core elements of the greenest municipality competition allows for participation in the greenest municipality competition; and based on annual evaluations done by officials from the DETEEA, a percentage based outcome will determine the effectiveness and the success of the project.

How will the community be affected by the project?

For the "Goes Green" campaign to be the success it deserves, community participation is very crucial as aspects of waste management, energy and water conservation efforts can only be achieved by community engagement in the competition and the implementation of the campaign and other factors that may determine its effectiveness.

How will towns and communities in Mohokare benefit from the project?

Not much can be commented on at this stage, as the project is still in its planning phase and implementation thereof will soon take effect. What can be said is that the main aim of the campaign is to promote clean and healthy towns, and this requires community participation, health and hygiene awareness and through this providing clean living environments for residents.

How long is the project intended to run?

Indefinitely! This project will form part of the institutions social and environmental responsibility to manage and protect the environment and hamper the effects of climate change.

Other programmes and campaigns that the division has planned and aligns to the district:

1. Arbor week
2. World Environment Day
3. World Sanitation Day
4. Cleaning and Greening Activities
5. Health and Hygiene Awareness Campaigns

5.3. Community Services

5.3.1 Library Services

Employees: Library Services					
Job Level	2009/10	2010 / 11			
	Employees Number	Posts Number	Employees Number	Vacancies Number	Variance (as a % of total posts) %
0 – 3					
4 – 6					
7 – 9	0	5	0	5	
10 – 12	3	5	3	2	
13 – 15					
16 – 18					
19 – 20					
Total	3	10	3	7	

Financial Performance 2010/11: Library Services					
Details	2009/10	2010/11			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total operating Revenue (excluding tariffs)	-	R 1 231 000	R 1 139 000	R 67.00	R -
Expenditure:	R 1 088 587.00	R 1 231 000.00	R 581 000.00	R 936 061.00	R -355 061.00
Employees	R1 079 416.00	R 0	R 0	R 923 025.00	
Repairs & Maintenance	-			R -	
Other	R 9 171.00			R 13 036.00	
Total operating Expenditure	R 1 088 587.00	R 1 231 000	R 581 000	R 936 061.00	R -355 061.00

2009/10 Figures not Audited

The Municipality is still awaiting the finalization of the dissolution of services process with regards to the library services, because the department of Sport, Arts & Culture is supposed to absorb the Human Capital that the Municipality is currently funding. There are 5 (five) libraries in Mohokare Local Municipality and they operate in the following manner;

Operating hours and days

Rouxville Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30

Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

Roleleathunya: Albert Nzula Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

Smithfield/Mofulatshepe

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00	N/A	13h00

Zastron: Zastron Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

Matlakeng: Matlakeng Public Library

Days	Time of starting work	Interval of work (Lunch)	Time of finishing
Monday	8h00	13H00-13H30	16H30
Tuesday	8h00	13H00-13H30	16H30
Wednesday	8h00	13H00-13H30	16H30
Thursday	8h00	13H00-13H30	16H30
Friday	8h00	13H00-13H30	16H30
Saturday	8h00		13h00

5.3.2. Traffic Safety & Management

The traffic management division is currently the operating from the Smithfield offices in the Tow Hall, Personnel consists of 5 (five) Males, 3 traffic officers, 1 Security Manager and 1 Administration Clerk.

There is also 1 (one) camera utilized to issue penalties to defaulters and summon those who fail to pay before the court

Camera operations in terms of taking images and processing them through a system, verifying personal data, offence, car registration, owner's details/particulars and adjudication before sending 341 notices is not in place.

All operations with the cameras was suspended by the Director of Public Prosecution Free State and all outstanding camera fines were withdrawn by the Director of Public Prosecution Free State, no further prosecution on those fines or payments allowed.

The Traffic offices were re-opened in mid-December 2010, Law Enforcement is done by hand and results are good but not as it were with camera operations

Employees: Traffic Safety & Management					
Job Level	2009/10	2010 / 11			
	Employees Number	Posts Number	Employees Number	Vacancies Number	Variance (as a % of total posts) %
0 – 3					
4 – 6					
7 – 9	2	3	2	1	
10 – 12	2	2	2	0	
13 – 15					
16 – 18					
19 – 20					
Total	4	5	4	1	

Please note that the HR financial performance of Traffic Management is included within the Roads& Storm Water Services, this is due to the arrangements as set out in the 2010/2011 Budget.

5.3.3. Disaster Management

Disaster management as stated before is a district function in terms of the allocation of powers and functions and information was not yet available by the time of printing the 10/11 draft annual performance report.

5.3.4 Social Facilities (Parks, Recreation, Sports Facilities& Cemeteries)

Employees: Social Facilities (Parks, Recreation, Sports Facilities& cemeteries)					
Job Level	2009/10	2010 / 11			
	Employees Number	Posts Number	Employees Number	Vacancies Number	Variance (as a % of total posts) %
0 – 3					
4 – 6	26	26	26	0	
7 – 9					
10 – 12	1	1	1	0	
13 – 15					
16 – 18					
19 – 20					
Total	27	27	27	0	

Financial Performance 2010/11: Social Facilities (Parks, Recreation, Sports Facilities& cemeteries)					
	2009/10	2010/11			
		Original			
Details	Actual	Budget	Adjustment	Actual	Variance to
Total Operating Revenue					
(excluding tariffs)	R 4 414.00	R 6 000.00	R 4 000.00	R 629.00	R 13 371.00
Expenditure:	R1 338 417.00	R 3 065 000.00	R1 968 000.00	R1 309 800.77	R 658 199.23
Employees	R 1 289 047.00			R 1 292 899.00	R
Repairs & Maintenance	R 39 264.00			R 9 308.82	
Other	R 10 106.00			R 7 592.95	
Total Operating					
Expenditure	R 1 338 417.00	R 3 065 000.00	R 1 968 000.00	R 1 309 800.77	R 658 199.23

2009/10 Information Not Audited

5.4. Corporate Services

5.4.1 Policy Development

Corporate Services facilitated the development of different municipal policies as to address the backlog on those policies not in place. The following policies exist within the Municipality;

1. Code of Conduct and Ethics
2. Introducing New Employees
3. Educational Assistance Policy
4. Maternity Leave
5. Telephone & Dress Code Policies
6. Internet, Computer network and Electronic Appliance Policy
7. Smoking
8. Sexual Harassment
9. HIV/AIDS
10. Health & Safety
11. Compensation for Occupational Health & Injuries
12. Ending the Employment Relationship
13. Policy on Voluntary Workers
14. Transport Policy
15. Overtime
16. Subsistence & Traveling Costs
17. Council Employment Policy
18. Language Policy
19. Disciplinary & Grievance Policy
20. Credit Control, Debt Collecting & writing-off Policy
21. Cemeteries
22. Vehicle Replacement
23. Procurement Policy
(Procurement /SCM)
24. Customer Care Policy
25. Commonage Policy
26. Banking & Investment
27. Procedure followed on Appointments
28. Telephone Policy (Land line)
29. Municipal Supply Chain Management Policy
30. Communication Policy
31. Recruitment and Selection
32. Casual Workers
33. Rates Policy
34. Indigent Policy
35. Skills Development Policy
36. Free basic Water Policy

37. Employment Equity Policy
38. Paupers Burial Policy
39. Human Resources Manual
40. Records Management Policy
41. Tariff Policy
42. Recruitment and Selection Policy
43. Anti-Fraud and Anti-Corruption Strategy
44. Sites Policy
45. Property Rates Policy
46. Fleet Policy
47. Policy Guidelines for Civic Funerals (Councilors)

The following policies were developed / reviewed and adopted by council during the year under review (2010/2011);

1. Information Technology Policy: 18 August 2010
2. Policies and Procedures for Fruitless and Wasteful Expenditure: 18 August 2010
3. Budget Policies: 13 May
 - Banking and Investment Policy
 - Fixed Asset Policy
 - Budget Policy
 - Credit Control Policy
 - Indigent Policy
 - Rates Policy
 - Tariff Policy

5.4.2.1. Information & Communication technology

Employees: Information& Communication technology					
Job Level	2009/10	2010 / 11			
	Employees	Posts	Employees	Vacancies	Variance (as a % of total posts)
	Number	Number	Number	Number	%
0 – 3					
4 – 6	1	1	1	0	
7 – 9					
10 – 12	1	1	1	0	
13 – 15					
16 – 18					
19 – 20					
Total	2	2	2	0	

Financial Performance 2010/11: Information& Communication technology					
Details	2009/10	2010/11			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total operating Revenue (excluding tariffs)	-	R -	R -		
Expenditure:	R 2,099,738.00	R 4,172,000.00	R 4,607,000.00	R 610,955.10	R3,996,044.90
Employees	R 481,106.00			R 405,189.00	
Repairs & Maintenance	R 108,782.00			R 12,907.40	
Other	R 1,509,850.00			R 192,858.70	
Total operating expenditure	R 2,099,738.00	R 4,172,000.00	R 4,607,000.00	R 610,955.10	R 3,996,044.90
Net operational expenditure	R 2,099,738.00	R 4,172,000.00	R 4,607,000.00	R 610,955.10	R3,996,044.90

2009/10 information not audited

5.4.3 Human Resource Management (HR, Labor Relations, SDF, Employee Wellness)

Employees: Human Resource Management					
Job Level	2009/10	2010 / 11			
	Employees	Posts	Employees	Vacancies	Variance (as a % of total posts)
	Number	Number	Number	Number	%
0 – 3					
4 – 6	1	3	1	2	
7 – 9	1	1	1	0	
10 – 12	2	3	3	1	
13 – 15	1	1	1	0	
16 – 18					
19 – 20					
Total	5	8	5	3	

Financial Performance 2010/11: Human Resource Management					
	2009/10	2010/11			
Details	Actual	Original	Adjustment	Actual	Variance to
		Budget	Budget		Budget
Total operating Revenue (excluding tariffs)		R -	R -		
Expenditure:	R 812,054.00	R 913,000.00	R 1,255,000.00	R 1,005,101.06	R 249,898.94
Employees	R 400,504.00		R -	R 874,522.06	
Repairs & maintenance		R -	R -		
Other	R 411,550.00	R -	R -	R 130,579.00	
Total operating expenditure	R 812,054.00	R 913,000.00	R 1,255,000.00	R 1,005,101.06	R 249,898.94
Net operational expenditure	R 812,054.00	R 913,000.00	R1,255,000.00	R1,005,101.06	R 249,898.94

2009/10 Figures not audited

The following are the employee wellness activities that took place during the year under review:

Wellness Awareness Day (HIV & AIDS, TB and other related diseases): 3 March 2011, Zastron, Rouxville and Smithfield in partnership with the department of Health

Wellness Fun Run Day: 14 APRIL 2011, HELD IN ZASTRON, in partnership with Old Mutual and Liberty Life

Financial Education Programme, conducted by ABSA for Municipal Employees: June 2011

5.5. Organisational Development Performance: (Performance Report Part II)

5.5.1 Introduction to the Municipal Personnel a.

Employee totals, Turnover and Vacancies

Employees					
Description	2009/10	2010/11			
	Employees	Approved posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	46	53	46	7	
Sanitation	30	41	30	11	
Electricity	3	3	3	0	
Refuse Collection	36	36	36	36	
Human Settlement	4	13	4	9	
Roads & Storm Water	13	13	13	0	
Planning	1	4	1	3	
Local Economic Development	2	3	2	1	
Planning (Strategic & Regulatory)					
Community Services	36	44	36	8	
Traffic safety and Management	4	5	4	1	
Corporate Services	12	17	12	5	
Totals	187	232	187	81	

Vacancy rate 2010/11			
Designations	Total approved posts No.	Vacancies (total time that vacancies exist using fulltime equivalents) No.	Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	1	
CFO	1	1	
Other section 57 (excluding Finance posts)	3	3	
Other section 57 finance posts	0	0	
Traffic officers	4	4	
Senior management levels (excluding finance posts)	7	5	
Senior management levels (finance posts)	2	1	
Highly skilled supervision (excluding finance posts)	1	0	
Total	19	15	

Introduction to Municipal workforce management

The Municipality manages the workforce guided by legislation and relevant policies and procedures promulgated through the South African constitution, matters of workplace policies that protect the workforce, policies that protect the interest of the employer, policies that manage the employer / employee relations and interaction, the respect of unions in the workplace and processes of bargaining at relevant structures are all taken into consideration by the Municipality

b. Policies

HR policies and Plans				
	Name of policy	Completed	Reviewed	Date adopted, comment of failure to adopt
1	Human Resource Policy	Yes	No	2009

The HR Manual is inclusive of personnel related policies and procedures

c. Suspensions

Number and period of suspensions				
Position	Nature of alleged misconduct	Date of suspension	Details of disciplinary action taken or status of case and reasons why not finalized	Date finalised
Plant operator	Drinking on duty	04 February 2010	Suspension without pay	04 February 2010
G worker	Drinking on duty	18 September 2009	Suspension without pay	18 September 2009
G worker	Drinking on duty	19 November 2009	Suspension without pay	19 November 2009
Tractor Driver	Sold Mun Diesel	04 March 2010	Suspension without Pay	04 March 2010

d. Performance Rewards

As earlier mentioned, the Municipality does not have a performance management system, this would also enable the identification of good performance versus poor performance, therefore good performance is currently not recognized, and only long-term service bonus is applicable to all employees of the Municipality

e. Skills Development and Training

SKILLS MATRIX													
Management level	Employees in post as at 30 June 2010	Number of skilled employees required and actual as at 30 June 2011											
		Leaner ship			Skills programmes & other short courses			Other forms of training			Total		
	No.	Actual 30 June 10	Actual 30 June 11	Target	Actual 30 June 10	Actual 30 June 11	Target	Actual 30 June 10	Actual 30 June 11	Target	Actual 30 June 10	Actual 30 June 11	Target
MM& sec 57		1		3	1		2				2		5
Councilors, Senior officials & managers		2		3		2	4				8	2	5
Technicians & associate professionals													
Professionals													
Sub total		3		6	1	2	6				10	2	10
Total		3		6	1	2	6				10	2	10

Skills development expenditure for the year 201/2011 was budgeted at R420 000.00 however the budget was adjusted R44 708.00 and only R 30 190.00 was utilized from the Skills Budget.

The Municipality must begin to prioritise skills development and define it as a base for good performance.

f. Employee Expenditure

Expenditure	2011	2010
Personnel	(30,691,492)	(22,144,204)

5.6. Municipal Financial Performance

5.6.1.1. Audited Annual Financial Statements: ANNEXURE A of this report

5.6.1.2. Summary: Income and Expenditure

	2008/09 Actual R	2009/10 Actual R	2010/11 Actual R
Income			
	R 26 435 201.00	R 40 790 368.00	R 68 189 764.00
Grants & Subsidies	R 26 159 239.00	R 40 790 368.00	R 58 169 554.00
Central Government	R 275 962.00	R -	R 10 020 210.00
Provincial Government			
	R 16 369 883.00	R 35 210 361.00	R 33 560 679.00
Operating Income			
Assessment Rates	R 4 180 942.00	R 6 068 129.00	R 3 213 229.00
Sale of Electricity	R -	R 12 001 430.00	R 12 040 738.00
Sale of Water	R 3 529 338.00	R 5 465 360.00	R 6 719 753.00
Sale of Refuse Removal	R 3 014 546.00	R 3 126 957.00	R 3 786 978.00
Sale of Sewerage sanitation charges	R 3 471 379.00	R 4 708 594.00	R 5 727 712.00
Other Services and Charges	R 2 173 678.00	R 3 839 891.00	R 2 072 269.00
	R 49 246 439.00	R 60 072 625.00	R 95 360 935.00
Expenditure			
Salaries, Wages and Allowances	R 20 262 098.00	R 22 144 204.00	R 30 691 492.00
Remuneration of Councillor	R 1 714 438.00	R 1 914 471.00	R 2 209 126.00
General Expenses			
Purchase of Electricity	R 437 766.00	R 11 891 849.00	R 16 136 859.00
Other General Expenses	R 24 100 647.00	R 22 282 911.00	R 45 003 677.00
Repairs & Maintenance & Fuel	R 2 254 546.00	R 1 481 896.00	R 1 024 249.00
Capital Charges	R 476 944.00	R 357 294.00	R 295 532.00
	R -6 441 355.00	R 15 928 104.00	R 6 389 508.00
Surplus/(Deficit)			

5.6.1.3. Debtors Age Analysis

Debtor Age Analysis for 2010/11									
(Rand)									
Days:	0 - 30	31 - 60	61 - 90	91 - 120	121 - 150	151 - 180	181 - 365	>365	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Debtors by Income Source									
Water Tariffs	R 370 566	R 668 575	R 354 391	R 394 628	R 529 648	R 379 230	R 1 984 139	R 9 969 941	R 14 651 118
Electricity Tariffs	-	-	-	-	-	131	-189	169 041	R 168 983
Rates (Property Rates)	R 24 348	R 24 075	R 28 522	R 85 472	R 81 700	R 80 577	R 914 854	R 3 758 059	R 4 997 607
Sewerage / Sanitation Tariffs	R 294 388	R 297 475	R 294 460	R 276 721	R 277 533	R 275 069	R 1 274 287	R 5 362 018	R 8 351 951
Refuse Removal Tariffs	R 215 204	R 212 522	R 208 012	R 203 987	R 203 080	R 201 227	R 899 507	R 4 387 193	R 6 530 732
Housing (Rental Income)	R 17 347	R 19 387	R 12 225	R 14 493	R 22 120	R 21 992	R 155 825	R 302 616	R 566 005
RSC Levies	-	-	-	-	-	-	-	-	R -
Other	R 80 322	R 79 745	R 78 628	R 78 094	R 77 687	R 77 016	R 280 402	R 15 928 810	R 16 680 704
Total By Income Source	R 1 002 175	R 1 301 779	R 976 238	R 1 053 395	R 1 191 768	R 1 035 242	R 5 508 825	R 39 877 678	R 51 947 100
Debtors Age Analysis By Customer Group									R -
Government	R 216 525	R 218 851	R 218 052	R 211 773	R 218 188	R 210 447	R 240 608	R 756 557	R 2 291 001
Business	R 30 374	R 31 012	R 27 961	R 95 644	R 95 087	R 89 642	R 498 931	R 1 405 650	R 2 274 301
Households	R 745 531	R 1 042 365	R 721 199	R 738 692	R 868 415	R 724 499	R 4 710 626	R 37 370 147	R 46 921 477
Other	R 9 745	R 9 551	R 9 026	R 7 286	R 10 078	R 10 654	R 58 660	R 345 321	R 460 321
Total By Customer Group	R 1 002 175	R 1 301 779	R 976 238	R 1 053 395	R 1 191 768	R 1 035 242	R 5 508 825	R 39 877 675	R 51 947 100

5.6.1.4. Statements of financial performance (Summary)

Financial Summary R'000						
Description	Oct-09	Current Year 2010/11			2010/2011 Variance	
R thousands	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
Financial Performance						
Property rates	5,399	7974	4615	3,213		
Service charges	25	29457	24693	28,275		
Investment revenue	50	75	68	31		
Transfers recognised - operational	32,768	46949	7057	68,190		
Other own revenue	3,727	1942	50199	2,041		
Total Revenue (excluding capital transfers and contributions)	67,348	98,353	88,119	101,750		
Employee costs	23,412	32,957	33847	30,691		
Remuneration of councillors	1,914	2,175	2,322	2,209		
Depreciation & asset impairment	-	943	-	-		
Finance charges	357	5,031	4,797	295		
Materials and bulk purchases	11,891	9244	4033	16,136		
Transfers and grants	3,581	1050	4080	4,155		
Other expenditure	18,207	34144	37552	41872		
Total Expenditure	60,846	85543	86632	95361		
Surplus/(Deficit)	6,401	854	0	6389		
Transfers recognised - capital		-	-	13,839		
Contributions recognised - capital & contributed assets		-	-	-		
				6,390		

Surplus/(Deficit) after capital transfers & contributions		854	0			
Share of surplus/(deficit) of associate		–	–		–	–
Surplus/(Deficit) for the year		854	0	6,390		
<u>Capital expenditure & funds sources</u>						
Capital expenditure		56,986	38,616			
Transfers recognised - capital	5,789	26,483	12,913	13,839		
Public contributions & donations		–	–	20580	–	–
Borrowing		27,003	25,003	6,335	–	–
Internally generated funds	1,364	3,500	700	681		
Total sources of capital funds		56,986	38,616			
<u>Financial position</u>						
Total current assets	15,073	20,328	246,151	27,727		
Total non current assets	132,741	24,850	40,586	185,965		
Total current liabilities	24,353	17,105	14,997	45439		
Total non current liabilities	3,582	25,973	28,003	4695		
Community wealth/Equity	119,879	2,099	243,737	163,353		
<u>Cash flows</u>						
Net cash from (used) operating	(10,434)	7,617	236,093	25,949		
Net cash from (used) investing	5,265	(32,106)	(34,712)	(26,117)		
Net cash from (used) financing	3,582	25,048	25,003	-343		

Cash/cash equivalents at the year end	(1,541)	559	226384	(1,483)		
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available		3,697	41951	(1,483)		
Application of cash and investments		2557	0	163,353		
Balance - surplus (shortfall)		1141	41951	161,870		
<u>Asset management</u>						
Asset register summary (WDV)	131,295	24,850	40,586	155976		
Depreciation & asset impairment		943	—		—	—
Renewal of Existing Assets		—	—		—	—
Repairs and Maintenance	1,481	8076	1,635	1,024		
<u>Free Basic Services</u>						
Cost of Free Basic Services provided	3,581	632	632	4,155		
Revenue cost of free services provided		1038	1038			
<u>Households below minimum service level</u>						
Water:		-	-		-	-
Sanitation/sewerage:		0	0		-	-
Energy:		0	0			-
Refuse:		-	-		-	-

	5,789	26,483	12,913	13,839
Public contributions & donations		–	–	20580
Borrowing		27,003	25,003	6,335
Internally generated funds	1,364	3,500	700	681
Total sources of capital funds		56,986	38,616	
<u>Cash backing/surplus reconciliation</u>				
Cash and investments available		3,697	41951	(1,483)
Application of cash and investments		2557	0	163,353
Balance - surplus (shortfall)		1141	41951	161,870
<u>Asset management</u>				
Asset register summary (WDV)	131,295	24,850	40,586	145,090
Depreciation & asset impairment		943	–	
Renewal of Existing Assets		–	–	
Repairs and Maintenance	1,481	8076	1,635	1,024
<u>Free Basic Services</u>				
Cost of Free Basic Services provided	3,581	632	632	4,155
Revenue cost of free services provided		1038	1038	
<u>Households below minimum service level</u>				
Water:		-	-	
Sanitation/sewerage:		1,098	1,098	
Energy:		536	536	
Refuse:		-	-	

5.6.1.5. Grants

Grant Performance				
Description	2009/10	2010/11		
	Actual	Budget	Adjustments	Actual
			Budgets	
Operating Transfers and Grants				
National Government				
Equitable Share	R 40 790 368	R 40 861 926	R -	R 40 861 926
Financial Management	R 1 000 000	R 1 250 000	R -	R 1 250 000
Grants				
MSIG	R 0	R 750 000	R	R 750 000
MIG	R 15 587 283	R 12 913 000	R -	R 12 913 000
Other transfers/ grants				
Provincial Government				
CTGA	R 0	R 10 020 210	R -	R 10 020 210
District Municipality				
Other Grant providers				
Total Operating Transfers & Grants	R 49 252 470	R 62 574 926	R -	R 62 574 926

2010/11MunicipalInfrastructureGrantannualreport

The report covers the following:

- FINANCIAL REPORT
- EXPENDITURE PER PROJECT
- SOCIAL AND ECONOMIC BENEFITS
- PROJECT DETAILS

- UPGRADING OF THE ZASTRON/ MATLAKENG
WASTE WATER TREATMENT WORKS

- CONSTRUCTION OF ACCESS COLLECTORS, INTERNAL
STREETS AND RELATED STORMWATER IN
ROLELEATHUNYA (PHASE 1)

- UPGRADING OF THE SMITHFIELD/ MOFULATSEHEPE OXIDATION
PONDS

- ERADICATION OF 777 BUCKETS IN ROUXVILLE
- UPGRADING OF THE CALEDON WATER SCHEME
- EVALUATION AS PER THE PRACTICE NOTE
- LESSONS LEARNED
- RECOMMENDATIONS

1. PURPOSE OF REPORT

This report serves to inform Government on the Municipal Infrastructure Grant projects implemented by Mohokare Local Municipality during the 2010/2011 financial year.

The report also seek to evaluate the performance of the Municipality in respect to the programmes funded by the MIG allocation

2. BACKGROUND

The Municipal Infrastructure Grant (MIG) was established through the merger of the Consolidated Municipal Infrastructure Programme (managed by COGTA), the Water Service Capital Grant (managed by DWAF), the Community Based Public Works Programme (managed by Public Works), the Building for Sports & Recreation Programme (Sport and Recreation SA), the Urban Transport Grant (Department of Police, Roads and Transport) and Electrification Funding (Department of Energy).

The aim of the grant is to provide all communities with at least a basic level of service by the year 2013 with the grant finance aimed at covering the capital cost of basic infrastructure for the poor.

This report will consolidate the following reports:

- The quarterly KPI reports

- The two social and economic report

For proper management of the grant certain functions had to be delegated by the Accounting Officer to established units within the Municipality. Functions were delegated as follows:

Project Management Unit

The unit was established in the 2008/09 financial year and has been executing the following duties: Project Identification, Feasibility Process, Project Registrations, Monitoring & Evaluation of Projects Progress and Financial Management

Technical Services Department

It provides information on the current infrastructure status (backlogs), it also assists in the monitoring & implementation of the projects and further makes provision within its budget for future maintenance of the infrastructure.

Local Economic Development Unit

Provide and ensures that the grant is utilised in accordance to its set local economic objectives, e.g. maximise employment of local labour and development of emerging contractors. Finance Department plays a Supporting role to the unit by ensuring compliance with DORA.

3. DISCUSSION

The below tables gives a summary of the Municipal performance on the following: Annual Financial overview and Expenditure per project.

3.1 Overall Financial Overview

ROLL OVER AMOUNT	EXPENDITURE ON ROLL OVER	ALLOCATION	TRANSFERRED AMOUNT	EXPENDITURE	BALANCE
R 11,482,627.92	R 11,482,627.92	R 12,487,502.70	R 12,487,502.70	R 425,497.30	R 12,062,005.40

Not Audited

From the above it can be seen that the Municipality managed to spend its total approved roll-over amount, but however failed to spend its total allocation for the financial year.

3.1.1 Expenditure per Project

Project Description	MIG Approved Project Value	Overall Expenditure on the Project	Expenditure on 2010/11
Zastron: Upgrading of sewerage treatment works	R 11 423 610.00	R 4 816 468.65	R 2 662 489.61
Roleleathunya/Rouxville: Access collectors, internal street and related stormwater (4.14 km) Phase 1	R 12 460 000.00	R 2 777 113.14	R 2 777 113.14
Smithfield: Upgrading of oxidation ponds	R 6 840 000.00	R 7 796 857.72	R 2 810 965.09
Rouxville/Roleleathunya: Eradication of 777 buckets incl. 14.92 main outflow lines and pump station	R 11 378 000.00	R 4 245 743.10	R 81 584.69
Smithfield: Upgrading of the Caledon water scheme to Smithfield(phase 2A)	R 9 470 550.00	R 8 495 392.95	R 2 361 143.42
Project Management Unit	R 645 672.00	R 216 428.80	R 216 428.80
TOTALS	R 52 217 832.00	R 28 348 004.36	R 10 909 724.75

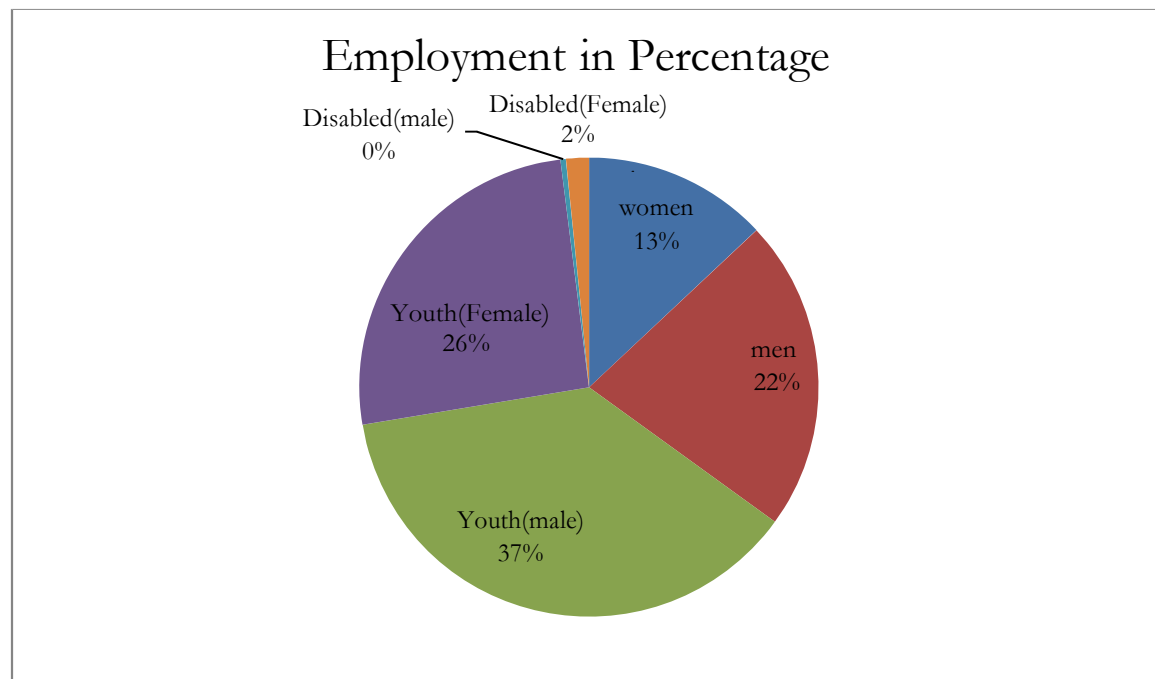
Unaudited information

3.2 SOCIAL AND ECONOMIC BENEFITS

The MIG programme is part of government's overall strategy to eradicate poverty and create conditions for local economic development. The implementation programme for the Municipality has therefore maximise opportunities for employment creation and enterprise development. Below are the employment figures for the year per project:

Project Name	Women	Man	Youth (male)	Youth (Female)	Disabled (male)	Disabled (Female)
Upgrading of the Caledon water Scheme to Smithfield	14	25	38	21	0	2
Upgrading of the Zastron waste treatment plant	3	7	7	12	0	1
Upgrading of the Oxidation ponds in Smithfield	6	15	16	5	1	1
Eradication of 1036 buckets in Rouxville	2	5	9	5	0	0
Roleleathunya: Access collectors and internal streets	7	2	22	20	0	0
TOTAL	32	54	92	63	1	4

From the above table it can be seen that a total number of 246 job opportunities was created through implementation of this programme and representation on gender and disability status was as follows.



From this analysis it can be concluded that although the female population in the Municipality exceeds that of male, the employment strategies still favours males.

It can further be indicated that seven SMME's were appointed for the construction of the 777 toilet structures in the Bucket Eradication Programme in Rouxville as part of SMME's development.

4. PROJECTS DETAILS

4.1 UPGRADING OF THE ZASTRON /MATLAKENG WASTEWATER TREATMENT WORKS

Project Brief

As previously mentioned, one of the objective of the Programme is to create job opportunities for the communities within which projects are implemented. This condition serves as a baseline for projects design and implementation plan.

Mohokare Municipality is in the process of upgrading the living standards of the community of Matlakeng in Zastron by providing, among other services, improved sanitation infrastructure by upgrading the existing Oxidation ponds system to an Activated Sludge Waste Water Treatment Works with a capacity of 1,500m³ /day as part of Department of Water Affairs and Forestry's Bucket Eradication Programme (BEP).

Proposed works

- The construction of a new primary pond;
- The construction of a reinforced concrete biological reactor and clarifier;
- Concrete relining of the existing ponds;
- The modification of pipe work to improve performance of the existing biofilter and settling tank;
- The upgrading of mechanical and electrical equipment;
- The training of staff for the upgraded works.

Construction

Name of Consultant	: ISA and Partners Consulting Engineers
Contract price	: R 8,258,793.84 (Incl. VAT)
Indirect Costs	: R 3,164,816.16
Name of Contractor	: Colemo Projects
Commencement date	: 26 Jan 2010
Contract completion date	: 30 Oct 2010

4.2 CONSTRUCTION OF ACCESS COLLECTORS, INTERNAL STREET AND RELATED STORMWATER IN ROLELEATHUNYA (PHASE 1)

Project Brief

As means to improve road and stormwater infrastructure in Roleleathunya, Mohokare municipality has implemented a project aimed at construction a 4.12 km long access road in and around Roleleathunya. However the project was later reviewed to fit within the MIG unit cost and the Contractor Tender Price by reducing the scope of work to 2.67 km.

Proposed Works

- Construction of access collectors;
- Construction of internal streets;
- Construction of stormwater facilities.

Construction

Contract price	: R 10,688,642.31	(Incl. VAT)
Indirect Costs	: R 1,771,357.69	
Name of Consultant	: WN Consult	
Name of Contractor	: Lesole-Khwara	
Commencement date	: 01 Sep 2010	
Contract completion date	: 30 April 2011	

4.3 UPGRADING OF THE SMITHFIELD/ MOFULATSHEPE OXIDATION PONDS

Project Brief

Mohokare Municipality is in the process of upgrading the living standards of the community of Mofulatshepe in Smithfield by providing, among other services, improved sanitation infrastructure by upgrading the existing Oxidation ponds system to an Activated Sludge Waste Water Treatment Works with a capacity of 1,000m³ /day as part of Department of Water Affairs and Forestry's Bucket Eradication Programme (BEP).

Proposed Works

- The construction of a new reinforced concrete inlet works with the attendant degritting and overflow distribution boxes;
- The construction of a reinforced Pasveer Ditch Reactor with a Clarifier scraper unit with a separate Aerobic, Anoxic and Anaerobic reactors;
- The construction of reinforced concrete dry and wet wells for the WAS/Scum and RAS Collection System within the Pasveer Ditch Reactor/Clarifier Unit;

- The construction of a chlorine contact tank within the Pasveer Ditch Reactor/Clarifier Unit;
- The conversion of some of the existing oxidation ponds into sludge lagoons with a supernatant return pump installation;
- The construction of new Administration building;
- The provision of electricity supply to the site;
- The installation of Electrical and Mechanical equipment for the new works.

Construction

Contract No MLM 02/2009

Name of Consultant	: ISA and Partners Consulting Engineers
Contract price	: R 782,608.00 (Incl. VAT)
Name of Contractor	: Big Bravo Construction
Contract Price	: R 9,427,204.58 (Incl. VAT)
Project Award date	: 19 Aug 2009
Commencement date	: 28 Sep 2009
Contract completion date	: 30 Oct 2010

The project is awaiting the approval of Budget maintenance for the installation the outstanding mechanical and electrical components.

4.4 ERADICATION OF 777 BUCKETS IN ROUXVILLE

Project Brief

In an effort to uplift the health standard of living to the previously disadvantaged community, Mohokare Local Municipality initiated a sanitation project in line with the National government Bucket Eradication Program. Initially there was about 1036 sites identified, but during an intense verification process only 777 sites were found. A revised business plan was prepared and submitted to the Provincial PMU offices.

Proposed Works

- The construction of a sewer reticulation network for 765 sites in Roleleathunya, Rouxville using PVC sewer pipeline and reinforced concrete manholes;
- The construction 777 brick toilets with the accompanying sewer and water erf connections for these sites;
- The construction of approximately 1,000 meters of new outfall sewer;
- The construction of 1 new sewer pump station including the installation of new electrical and mechanical equipment.

Construction

Isa & Partners Consulting Services was appointed to commence with the design and the report was approved by 11th of September 2006.

Due to severe water shortage in Rouxville the project was put on hold. To counter react to price increases all material for implementation of the project was purchased amounting to R2 million rands and was safely stored in the Municipal stores.

Currently appointed SMME's are on site and undertaking toilet furniture installation pending the start of the regional Bulk Water Scheme.

4.5 UPGRADING OF THE CALEDON WATER SCHEME

Project Brief

The greater Smithfield area has been experiencing severe water shortage during the months of September, October and November of each year. The main reason for this has been the irregular flow of the Caledon River during this time period, as well as the lack of water in the old Smithfield dam.

A bulk water supply scheme was develop in 2000, and the first phase of construction of the scheme was completed in 2001.

Proposed Works

- Upgrading or replacement of low lift pumps
- Upgrading or replacement of high lift pumps
- Installation of a second 200 mm diameter raw water supply line from the Caledon river
- Increasing the capacity of the water treatment works to 134 kl/h
- Construction of 1.5 Ml reservoir
- Rising main pipeline from treatment plant to reservoir
- Pipeline between reservoir 1 and 2
- Installation of a bulk pipeline to Smithfield and Rietpoort
- Installation of a bulk pipeline to Mofulatshepe

The project was initially phased into two phases; however the first phase was down scaled due to lack of funds. The following where done:

- a) The construction of a 1.5 Ml reservoir
- b) The installation of a water rising main
- c) Pipeline between reservoir 1 and 2

Construction

Phethogo Consulting Services were appointed to commence with the design which was approved by November 2006.

Name of Consultant	: Phethogo Consulting
Contract price	: R 580,000.00
Name of Contractor	: Rekaofela Construction
Contract Price	: R 3,368 203.65
Project Award date	: 16 Feb 2007
Commencement date	: 16 Feb 2007
Contract completion date	: 16 June 2007

Due to lack of progress on site Rekaofela ceded its remaining work to Jen's Development, but they however remained accountable for the entire work

Name of contractor	: Jen's Development
Acceptance of work	: 11 July 2007
Revised completion date	: October 2007

Phase 2

Name of contractor	: Set Maks Civils
Contract Price	: R 4 446 000.00
Project Awarded date	: 02 February 2010
Contract Completion date	: 02 August 2010
Actual Completed date	: January 2011

5. EVALUATION AS PER THE PRACTICE NOTE

PART 1: Progress to date:

Projects were not implemented according to the approved business plan, resulting in the review of some of the projects.

Scheduling and phasing was correctly executed.

Approval of payment certificates for Service Provider was directly handled by PMU unit, this assisted the Municipality to avoid the previously uncounted over-expenditures

There has been great development in the co-ordination with other stakeholders this was achieved through the PPMU stakeholder meeting.

MANAGEMENT

Institutional arrangements were made utilizing existing staff within the Directorate: Technical Service department.

Existing staff were utilized part time to work on the projects in addition to their other tasks.

A PMU technician was employed (September 2010) as part of the unit staff establishment.

Support by other units: Finance Department.

Capacity building of staff: More capacity building is needed for PMU staff.

Key challenges: Lack of accountability from Project Managers (Consultants), Inclement Weather, labour issues and materials supply.

Other challenges: completion of stages of the projects was dependent on other role players these delayed projects completion i.e. Approval of revised technical report by department of human settlement.

PART 2: Monitoring:

Monitoring approach:

Construction work was monitored by the consultant, which has to report to the Technical/PMU Manager. The Technical/PMU Manager reported to Council through the Municipal Manager. Financial reports were submitted on monthly basis to the Provincial Government, whereas progress report was done bi-monthly.

Data analysis and reporting for implementation

Results of planning and investigations have been incorporated into designs for implementation.

Results of tenders received were analyzed/ evaluated by consultants for implementation.

Data analyzed and reported for performance

Regular tests on material used and achievements of construction results were done (i.e. concrete test cubes, soil lab tests etc.)

Person responsible for data analysis and report generation

Consulting engineer → Technical/PMU manager → Municipal Manager → Council

Challenges with monitoring and reporting

Financial challenge: full time Manager required for Management of this unit, this will be budgeted within the next financial year PMU business plan.

PART3: What are the results and who benefited?

Bucket Eradication Projects in Zastron was completed although some 307 out 1420 are still unable to use the system due to blocked unconnected mainlines – this problem is currently been attended and it's estimated to be completed by end of August 2011. Projects that are currently under construction have created job opportunities for community members within the areas of implementation.

6. CONCLUSIONS:

A continuous training of PMU unit staff is crucial for proper monitoring and management of projects.

The Municipality should continue to use stringent measures in the appointment of Professional Service Providers and Contractors.

7. LESSONS LEARNED

Failure to take ownership of projects by Municipality may result with devastating outcomes (incomplete projects, over expenditures and poor service delivery).

Reports submitted by the Municipality are to be a true reflection of what has been implemented.

Cash flow, work schedules, action plans and all other projections are to be realistic. All advice and decision taken during the execution of the project are to be done in writing for record keeping purposes.

8. RECOMMENDATIONS

Due to inconsistencies that happen as from 2007/08 financial year in the implementation of the projects the following are proposed:

1. That the Municipality due to its contractual commitments must apply for roll-over of funds for implementation on the 2011/12 financial year.
2. Sector Departments need to assist the Municipality in the drafting and implementation of its Financial Recovery Plan.

5.6.1.6. Assets Management and Repairs and maintenance expenditure for 10/11

Assets

Current Assets

	2011	2010
Trade and other receivables from exchange transactions	11,022,242	12,090,312
VAT receivable	R 6 528 332.00	R 3 602 921.00
Consumer debtors	9,780,253	13,843,842
Cash and cash equivalents	<u>396,235</u>	<u>289,781</u>
	27,727,062	28,826,856

Non-Current Assets

Biological assets	585,000	564,900
Investment property	29,404,500	880,853
Property, plant and equipment	<u>155,975,629</u>	<u>168,770,562</u>
	<u>185,965,129</u>	<u>170,216,315</u>

Non-Current Assets	185,965,129	170,216,315
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Current Assets	27,727,062	28,826,856
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Non-current assets held for sale (and) (assets of disposal groups)	-	-
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Total Assets	<u>213,692,191</u>	<u>200,043,171</u>
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Liabilities

Current Liabilities (Include finance lease obligation)	R 575 867.00	R 575 744.00
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Trade and other payables from exchange transactions	21,500,208	16,179,288
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Consumer deposits	68,563	141,708
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Unspent conditional grants and receipts	22,195,902	10,688,892
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Other liability – short term portion	784,349	385,949
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Bank overdraft	<u>1,879,265</u>	<u>1,262,139</u>
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Non-Current Liabilities	47,004,154	29,233,720
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Other financial liabilities	2,274,537	3,196,176
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Finance lease obligation	1,060,690	1,622,137
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	3,335,227	4,818,313
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Non-Current Liabilities	3,335,227	4,818,313
Current Liabilities	47,004,154	29,233,720
Liabilities of disposal groups	-	-
Total Liabilities	50,339,381	34,052,033
Assets	213,692,191	200,043,171
Liabilities	50,339,381	34,052,033
Net Assets	163,352,810	165,991,138
Net Assets		
Accumulated surplus	163,352,810	165,991,138

5.6.1.7. Financial Ratios based on key performance indicators

Debt Coverage Ratio

	2009/10	2010/11
Rand value of debtors outstanding for less than 30 days	R 1 036 142.00	R 1 002 175.00
[current]		
Rand value of debtors outstanding for less than 60 days	R 1 047 037.00	R 1 301 779.00
[overdue]		
% Debtors older than 60 Days		2.50%
Amount outstanding more than 60 Days	R 11 760 663.00	R 49 643 145.00
		95.56%

Cost Coverage Ratio

	2009/10	2010/11
All available cash	R -972,358.00	R -1,483,030.00
Investments	R 0.00	R 0.00
Monthly fixed operating expenditure	R 5,006,052.00	R 7,946,747.00
Ratio	-0.29	-0.12

Liquidity Ratio

	2009/10	2010/11
Current Assets	R 29,826,856.00	R 27,727,062.00
Current Liabilities	R 29,233,720.00	R 47,004,154.00
	0.63	0.95

Solvency ratio

	2009/10	2010/11
Non-current Assets	R 170,216,315.00	R 185,965,129.00
Long term Liabilities	R 4,818,313.00	R 3,335,227.00
	35.32	55.75

5.6.2. Spending Against Capital Budget

Capital expenditure & Source of finance

Source	Expenditure Amount
MIG	R12 222 328
Borrowing (Finance)	R6 335 454
Own funds	R681 694.00

Cash flows from operating activities	2011	2010
Receipts		
Cash receipts from ratepayers, government and others	28,963,601	25,701,935
Grants	53,121,909	38,366,619
Interest income	31,336	45,186
Dividends received	1733	5,204
Other receipts	686,096	
Other cash item		
	<u>82,804,675</u>	<u>64,118,944</u>
Payments		
Employee costs	(30,695,123)	-22173055
Cash paid to suppliers and employees	(25,991,883)	(41,189,797)
Finance costs	-167857	(357,294)
	(56,854,863)	(63,720,146)
Total receipts	82,804,675	64,118,944
Total payments	(56,854,863)	(63,720,146)
Net cash flows from operating activities	25,949,812	(398,798)
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,509,364)	(44,023,296)
Proceeds from sale of property, plant and equipment	25,701,376	
Non-cash items adjustments (Leases ; Fleet)	(12,373,362)	25,701,376
Non-cash item (No proceeds from sale of PPE)	(25,701,376)	
Non-cash items	(234,607)	11,121,540
Net cash flows from investing activities	(26,117,332)	(7,200,381)
Cash flows from financing activities		
Repayment of other financial liabilities	(921,639)	3,196,176
Movement in deferred revenue (payables from non-exchange)	398,400	385,949
Finance lease payments	(688,999)	2,197,881
Finance lease receipts – error in double payments	869,086	-
Net cash flows from financing activities	(343,152)	5,780,006
Net increase/(decrease) in cash and cash equivalents	(510,672)	(1,021,577)
Cash and cash equivalents at the beginning of the year	(972,358)	49,219
Cash and cash equivalents at the end of the year	<u>-1483030</u>	<u>(972,358)</u>

5.6.4. Other Financial Matters

5.6.4.1 Supply Chain Management

Municipal Finance Management Act Sections 110-119; Supply Chain Management Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

The Policy clearly prohibits councilors from influencing or serving as members of the different Bid Committees. The different Bid Committee members are appointed as per the SCM Policy to ensure compliance. The existing BEC and BAC were appointed ON 25 February 2011 to be in line with SCM Policy.

There are 2 full time SCM officials, namely the SCM Practitioner and the Demand & Acquisition Clerk. Both these officials have reached the prescribed levels required for their positions as per the MFMA Competency Regulation Guidelines in that both have minimum Bachelor degrees.

The Auditor-General's report for 2009/2010 notes the following regarding Supply Chain Management:

Section 91: Annual declarations of interest were not made by the councilors and staff members as required in terms of schedules 1 and 2 of the MSA. The finding of the AG is not disputed; however, the declaration of interest for 2010/2011 has been completed.

Section 92: No risk assessment was performed for identification, consideration and avoidance of potential risks in the SCM system as required in terms of regulation 41(2) of the South African Supply Chain Management Regulations. The AG's report is not disputed and is accepted. The Municipality has already undertaken to address this finding in that the District's Risk Officer is conducting an on-going assessment of the risks facing the institution as a whole, not only for the SCM system.

The irregular expenditure for both 2009/2010 and 2010/2011 are being investigated. The

SCM policy clearly states the processes as follows when goods and/or services are procured:

Range of procurement processes

1. Goods and services may only be procured by way of –
 - a. Petty cash purchases, up to a transaction value of R2 000 (VAT included);
 - b. Written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
 - c. Formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and

- d. a competitive bidding process for–
 - i. Procurements above a transaction value of R200 000 (VAT included); and
 - ii. The procurement of long term contracts.
- 2. The accounting officer may, in writing–
 - 1. lower, but not increase, the different threshold values specified in subparagraph (1); or
 - 2. direct that –
 - i. written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - ii. formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - iii. a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- 3. Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the Policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

5.6.4.2. GRAP Compliance

GRAP is the acronym for Generally Recognised Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders.

Mohokare Local Municipality is also striving for compliance that will be to professionally acceptable standards, and below is the Mohokare GRAP Implementation plan;

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
General Administrative Issues	Municipal Manager's Office	<p>1. Setting up of a GRAP Steering Committee</p> <p>The key issue is to ensure that the committee is properly staffed; their mandate is clear; has reasonable authority on key issues and is made up of key personnel in the process.</p> <p>2. Review the Organization structure and so as to ensure that, inter alia,</p> <p>(a) the structure is in line with the new Chart of Accounts or Reporting Requirements,</p> <p>(b) it adequately addresses the municipality's operational staffing requirements and, (c) will ease the process of producing the relevant periodic reports.</p>	<p>Consider the key areas/departments that may affect the GRAP Conversion Process</p> <p>Appoint the Chairperson of the Committee.</p> <p>Assess the current structure, taking into consideration the following factors (among others):</p> <p>(a) Key changes in the chart of accounts;</p> <p>(b) Reporting requirements (regulatory and otherwise);</p> <p>(c) Staff competencies</p>	Management buy-in Expected level of commitment from all committee members	Municipal Manager Manager: Human Resources	01 February 2011 31 March 2011

Presentation of financial statements (GRAP 1)	Finance	The objective of the standard is to prescribe the basis for the presentation of general purpose	Assess the current financial/accounting system to establish if it can be GRAP compliant i.e. maintain or change accounting system	Trained capacity. Unbundling process	CFO	28 February 2011
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Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		financial statements to ensure comparability both with the entity's financial statements of previous periods and with financial statements of other entities	<p>Consider the modules that need to be used (existing or new), the need to integrate the modules etc.</p> <p>Re-align the general ledger and Income and Expenditure accounts (Chart of Accounts – COA) to the outlay as presented in GRAP 1 and the specimen statements from NT.</p> <p>Assets and liabilities must be recognised and set up according to the requirements and definitions in GRAP 1.</p> <p>Formulate accounting policies</p> <p>Compilation of AFS (2010/11)</p>		<p>SEBATA</p> <p>SEBATA</p> <p>SEBATA</p> <p>CFO</p>	<p>31 March 2011</p> <p>31 August 2011</p>

OPENING BALANCES / CONVERSI ON JORNALS (ALL ACCOUNTI NG STANDARD S, AS RELEVANT)	All Departme nts	As discussed in each section	<p>Unbundle/Review all reserves as at 30 June 2010</p> <p>Correct all material errors noted in the prior year's audit report(s)</p> <p>Prepare conversion journals, taking into account the requirements of each accounting standard.</p> <p>Process all opening balance journals and prepare opening set of financial statements (which will be the comparative balance sheet).</p> <p>Liaise with Auditor-</p>	Staff capacity	CFO /	31 March 2011
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Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			General to audit the opening/conversion journals			
Cash flow statements (GRAP 2)	Finance	The objective of the standard is to provide information about the historical changes in cash and cash equivalents of the entity and provide detail of the cash inflows & outflows of the entity during the period from operating, investing, and financing activities.	Set up worksheet for cash flow preparation. Identify the different financing activities: Operating Investment Financing Set up the reporting method.	Trained capacity.	CFO	31 August 2011
Accounting policies, changes in accounting estimates and errors (GRAP 3)	Finance (Budget Office)	All changes to the accounting policies will be assessed per standard for whether the change should be accounted for prospectively, retrospective etc. This will be done in conjunction with the transitional provisions per Directive 5 (March 2009) issued by the ASB. Practicality of applying changes will also be determined and if claimed as impracticable, it will be discussed and agreed with the Auditor-General.	Identify changes in accounting policies. Identify transaction so-called "prior year transactions" Set procedures to restate errors including prior year adjustments. Determine materiality. Set procedures on the gathering of the information for disclosure.	Trained capacity.	CFO	31 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
The Effects of Changes in Foreign Exchange Rates (GRAP 4)	All Departments	.01 ...The objective of this Standard is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. .02 The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.	Identify any transaction where the creditor must be settled in a foreign currency. Determine any insurance against currency fluctuations. Determine procedures to insure the correct accounting for these transactions. Only transactions regarding the purchasing of equipment are allowed.	Municipality does not have foreign denominated transactions	N/A	N/A
Borrowing Costs (GRAP 5)	Municipal Infrastructure Services, Electricity and Energy, All other departments involved with the construction of assets	.01 This Standard prescribes the accounting treatment for borrowing costs. This Standard generally requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. However, the Standard permits, the expensing of borrowing costs where it is inappropriate to capitalise borrowing costs	Details of all assets (IMPORTANT: SEE GRAP 17 REQUIREMENTS ALSO) per component on payments made on qualifying assets (assets taking a considerable time to construct i.e. more than 3 months), funded from long-term liabilities and which would take a substantial period of time to complete, to enable Finance to make calculations on interest to be capitalised.	Correct identification of source of funding and qualifying assets. Componentizing of assets.	Technical manager	31 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		<p>that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs are interest and other costs that the municipality incurs in connection with the borrowing of funds.</p> <p>A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.</p> <p>Substantial period of time – >12 months (Longer than the entity's operating cycle i.e. longer than 1 year – as per NT High Level Summaries page 26)</p> <p>To the extent that the municipality borrows funds specifically for the purpose of obtaining a qualifying asset, the municipality determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less</p>				

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		<p>any investment income on the temporary investment of those borrowings.</p> <p>The municipality begins capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is the date when the municipality first meets all of the following conditions:</p> <ul style="list-style-type: none"> It incurs expenditures for the asset. It incurs borrowing costs. It undertakes activities that are necessary to prepare the asset for its intended use or sale. <p>The municipality suspends capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.</p> <p>Extended periods -</p> <p>The municipality ceases capitalising borrowing costs when substantially all</p>	Borrowing cost calculation sheet			

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		<p>the activities necessary to prepare the qualifying asset for its intended use or sale are complete.</p> <p>When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use.</p> <p>Substantially all- Other borrowing costs are recognised as an expense in the period in which it is incurred.</p>				

Consolidated and Separate Financial Statements (GRAP 6)	Finance	.01 The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial	<p>Determine if there is any entity that adhere to the definition of an entity and can be classified as being under control of the municipality.</p> <p>Identify the compilation and layout of the financial statements of an identified entity and set procedures to ensure compliance to GRAP.</p> <p>Identify all transactions</p>	N/A		N/A
	Finance					N/A
	All Departments					N/A

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
	Municipal Entities	statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.	<p>with this entity. Finance to obtain schedule of transactions from municipal entities and departments, to set up worksheets to combine the transaction data and eliminate all interrelated transactions and to compile consolidation journal entries.</p> <p>Municipal entities to provide trial balances for the 2008/2009 (Audited with GRAP amendments made) and 2009/2010 financial years.</p>			N/A

Investments in Associates (GRAP 7)	Legal & Admin Dept All Departments	.01 This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other formal net asset structure. This Standard generally requires that investments in associates should be accounted for in consolidated financial statements of the investor by using the equity method only when an investor has significant	Legal and Administration Department to do an enquiry with CIPRO (Registrar of Companies) to establish if the municipality can obtain confirmation of all of its shareholdings of different companies. Confirmation letter from departments, which states that the department is not aware of the municipality holding any shares or control of any other entities Identify any entities that can be defined as an associate. . Put systems in place to develop an appropriate listing with descriptions of all significant associates including:	- N/A	N/A	N/A
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Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		influence in participating in the financial and operating policies of the associate.	<input type="checkbox"/> The proportion of ownership interest, <input type="checkbox"/> The methods used to account for such investments, <input type="checkbox"/> The carrying amount of the investment for each significant associate <input type="checkbox"/> Summarized financial information in regard to asset, liabilities and the results of the operations of significant associates presented individually or in aggregate, <input type="checkbox"/> The investor's share of cumulative post acquisition reserves or deficits of associates, <input type="checkbox"/> The gross amount of loans made to the associate or received from associate by the investor, Accounting periods for which the financial statement of the associate have been prepared where they are different from that of the investor, The total market value of the listed investment in associates and the total council's valuation of investments in unlisted associates, <input type="checkbox"/> Distribution received from or accrued in respect of associates <input type="checkbox"/> Gains and losses on the sale of shares or other dilutions in associates by the investor. Set up the accounting procedure to account for the municipality's share of the associate.			
Interests in	All	.01 The objective	Confirmation letter	- N/A	N/A	N/A

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
Joint Ventures (GRAP 8)	Departments Finance	of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. It also sets out the disclosure requirements of interests in jointly controlled entities.	from all departments stating that the municipality was not a party to any joint venture. (This should be communicated on each financial year-end) Finance department to confirm that they do not have any knowledge of any joint ventures. Identify any joint venture. Identify the form of joint venture. Set procedures to reflect the transactions. Identify and prepare the disclose requirement depending on the joint venture.			
Revenue from Exchange Transactions (GRAP 9)	All Departments	.01 The Framework for the Preparation and Presentation of Financial Statements defines revenue as “the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners”. This Standard uses the term ‘revenue’ which encompasses both revenue and gains. Certain specific items to be recognised as	Identify all revenue: <ul style="list-style-type: none"> o Revenue from sale of goods o Revenue from rendering of services o Interest, o Loyalties and o Dividends Identify completion of rendering of service. Set procedures to ensure that all revenue is accounted for in the period that the economic benefit flows to the municipality. Identify circumstances where cash flow can or is deferred and set procedures to determine an imputed interest rate. Disclosure requirements .39 An entity shall disclose: (a) The accounting policies	Systems. Trained capacity.	CFO /	31 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		<p>revenues are addressed in other Standards and are excluded from the scope of this Standard. For example, gains arising on the sale of property, plant and equipment are specifically addressed in the Standard of GRAP on Property, Plant and Equipment and are not covered in this Standard.</p> <p>.02 The objective of this Standard is to prescribe the accounting treatment of revenue arising from exchange transactions and events.</p>	<p>adopted for the recognition of revenue including the methods adopted to determine the stage of completion of transactions involving the rendering of services;</p> <p>(b) The amount of each significant category of revenue recognized during the period including revenue arising from:</p> <p>(i) The rendering of services,</p> <p>(ii) The sale of goods,</p> <p>(iii) Interest,</p> <p>(iv) Royalties, and</p> <p>(v) Dividends or their equivalents, and</p> <p>(c) The amount of revenue arising from exchanges of goods or services included in each significant category of revenue.</p>			

Hyperinflationary Economies (GRAP 10)	N/A	.01 An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.	N/A	N/A		N/A
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Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		.02 In a hyperinflationary economy, reporting of financial performance and financial position in the local currency without restatement is not useful. Money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same reporting period, is misleading.				

Construction Contracts (GRAP 11)	All Departments	<p>The objective of this Standard is to prescribe the accounting treatment of costs and revenue associated with construction contracts.</p> <p>The Standard:</p> <ul style="list-style-type: none"> identifies the arrangements that are to be classified as construction contracts; provides guidance on the types of construction contracts that can arise in the public sector; and specifies the basis for recognition and 	<p>Collection of Information</p> <p>All departments to confirm whether or not the municipality is physically involved in the construction of any asset (excluding projects which are sub-contracted). This does not apply to own constructed assets but only those constructed for a third party.</p> <p>Disclosure</p> <p>.53 An entity shall disclose:</p> <p>(a) the amount of contract revenue recognised as revenue in the period;</p> <p>(b) the methods used to determine the contract revenue recognised in the period; and</p> <p>(c) the methods used to determine the stage of completion of contracts in</p>	Correct Identification of Construction Contracts	N/A	N/A
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Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		<p>disclosure of contract expenses and, if relevant, contract revenues.</p> <p>.06 A contractor engages in contracting activities. Accordingly, buildings constructed by the entity for itself do not constitute contracting activities. To determine the appropriate accounting for such items, the entity needs to refer to the Standards of GRAP on Inventories or Property, Plant and Equipment.</p> <p>.07 The following terms are used in this Standard with the meanings specified: Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design,</p>	<p>progress.</p> <p>.54 An entity shall disclose each of the following for contracts in progress at the reporting date:</p> <ul style="list-style-type: none"> (a) the aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date; (b) the amount of advances received; and (c) the amount of retentions. <p>.56 An entity shall present:</p> <ul style="list-style-type: none"> (a) the gross amount due from customers for contract work as an asset; and (b) the gross amount due to customers for contract work as a liability. 			

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		technology and function or their ultimate purpose or use.				
Inventories (GRAP 12)	Finance & Technical Department Community services	.01 The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognised as an asset and carried forward until the related revenues are recognised. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.	<p>The municipality must identify all items that must be disclosed as inventory.</p> <p>A list and all relevant supporting documentation (i.e. council resolutions) of land provided to the public for sale where the municipality has the intention to sell the land and the resolution had been taken for the land to be sold through a tender process or even in a single out of hand transaction.</p> <p>A list of all residential units held as housing stock should be provided including an indication per item of the intention of the property (i.e. sale, rental, service delivery etc).</p> <p>Determine the cost price of unsold water and/or purified effluent,</p>	<p>Stock registers</p> <p>Cost of water</p> <p>Measurement of volume of unsold water in network.</p> <p>Trained capacity.</p> <p>Mind Shift required</p>	Technical manager Community services CFO	31 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			<p>if sold.</p> <p>A calculation of the total water volume in the water network at each and every month end should be provided.</p> <p>Determine if inventories are costed correctly.</p> <p>Determine if cost formula are correctly applied.</p> <p>Set procedures to identify damaged or obsolete stock and calculate net realisable value.</p> <p>List of inventory items per store with the quantities to be written off and the necessary approval for write-off attached (inventory items where the cost price is higher than the net realisable value).</p> <p>The following are examples of inventories that may qualify in terms of the above:</p> <ul style="list-style-type: none"> • inventories that have been damaged; • inventories that have become wholly or 			

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			<p>partially obsolete;</p> <ul style="list-style-type: none"> inventories whose selling prices have declined; or inventories whose estimated costs of completion, or estimated costs to be incurred to make the sale, have increased. <p>- Put systems and procedures in place to recognize the carrying amount of inventories pledged as security for liabilities</p> <p>Set procedures to acquire all information required for disclosure.</p>			
Leases (GRAP 13)	Corporate services	.01 The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.	<p>Determine capital and operational leases.</p> <p>Compile a lease register including:</p> <ul style="list-style-type: none"> Description Lease term Amount of minimum lease payments Fair value of leased asset Discount factor Expected useful life <p>Determine lease and rental payment requirements</p> <p>Calculate an average lease.</p>	Lease information. Register Renewal of contracts.	Corporate services / Makomota	28 February 2011
Events after the Reporting Date (GRAP 14)	All Departments	.01 The objective of this Standard is to prescribe: (a) when an entity should adjust its financial statements for events after the reporting	All departments to provide confirmation letters confirming that there are no events after balance sheet date to their knowledge or if there are any events or uncertainties, those details to be supplied to the Finance	Information flow Identifying relevant events	CFO / Corporate & legal services managers / Makomota	31 July 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		<p>date; and</p> <p>(b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting date. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.</p> <p>Events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date (30 June 2009) and the date when the financial statements are authorised for issue (30 November 2009). Two types of events can be identified:</p> <ul style="list-style-type: none"> • those that provide evidence of conditions that existed at the reporting date (adjusting events 	Department.			

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		after the reporting date); and • those indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).				
Investment Property (GRAP 16)	Corporate Services and Finance	.01 The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.	All vacant land held for undetermined use should be classified as investment property as it is deemed to be held for capital appreciation. Therefore a list of all vacant land held for undetermined use should be supplied by Legal and administration. Buildings not occupied by the municipality and which are leased out (or held to be leased out on a commercial basis to external parties), should be classified as investment property. This point should be considered in conjunction with GRAP 13.	Identification of Properties. Usage of Properties. Trained capacity.	CFO / Corporate Services	18 March 2011
Property, Plant and Equipment (GRAP 17)	External Service Provider & All Departments		GRAP compliant fixed asset register & associated policies to be completed by municipality. Application letter for application of directive 4 to be submitted to provincial treasury and office of the auditor general. Assess Current Financial System for availability for asset management system.	Identification of assets. Missing asset information. Poor asset descriptions Trained capacity.	CFO/Assets manager	30 June 2012

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			<p>A GRAP compliant detailed Fixed Assets Register must be prepared and maintained.</p> <p>Review and update Asset Management Policy.</p> <p>Formulate a Repair and Maintenance policy and submit to council for adoption</p> <p>Items of PPE must be properly identified.</p> <p>All items must be classified in the categories as set out in GRAP 17.</p> <p>Acquisition dates of all items of property, plant and equipment must be determined.</p> <p>Depreciation rates and lifecycles must be determined for all items of PPE.</p> <p>Determine value of PPE.</p> <p>Set procedures for identification of impairment.</p> <p>Set procedures for identification of changes in life expectancy.</p> <p>Setup procedures to determine the best practice depreciation methods for the particular item.</p> <p>Determine the valuation method for Properties.</p> <p>Set procedures for revaluations.</p> <p>Set procedures for the disposal and retirement of PPE.</p>			

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			Set up register and general ledger to supply the information required for disclosure.			
Provisions, Contingent Liabilities and Contingent Assets (GRAP 19)	All Departments	.01 The objective of this Standard is to define provisions, contingent liabilities and contingent assets, identify the circumstances in which provisions should be recognised, how they should be measured and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing and amount.	<p>Request Information from Departments</p> <ul style="list-style-type: none"> - A provision is a liability of uncertain timing and/or amount. - A contingent liability is: <ul style="list-style-type: none"> a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because: <ul style="list-style-type: none"> (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. - A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. <p>The future costs for</p>	Trained capacity Inter department communication.	Corporate services manager / Legal service manager / CFO	18 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			<p>rehabilitation of landfill sites should be provided for and should be reviewed annually to ensure the best estimate is available and the presumptions made during the estimate is still valid.</p> <p>(To this extend a detailed calculation is required on the actual cost of rehabilitation, taking into consideration actual costs incurred.)</p>			
Non-current Assets held for Sale and Discontinued Operations (GRAP 100)	All Departments	<p>.01 The objective of this Standard is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. In particular, the Standard requires:</p> <p>(a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and</p> <p>(b) assets that meet the criteria to be classified as held for sale to be presented separately on the face of the statement of</p>	<p>Non-current assets (or disposal group) are classified as held for sale if its carrying amount is to be recovered principally through a sale transaction, rather than through continuing use. This applies to those non-current assets that the municipality is to sell at approximately their fair values in their present condition, and when the sale is highly probable.</p> <p>Departments to supply information about NCAHFS and Discontinued Ops.</p> <p>All assets which the municipality has intentions of disposing off within the next financial year must be removed from Property, Plant and Equipment and reallocated to Non-Current Assets held for Sale which is disclosed as a separate line item on the statement of</p>	<p>Identification of assets.</p> <p>Mind set changes</p> <p>Inter department communication.</p> <p>Planning.</p> <p>Trained capacity</p>	CFO /Technical manager / Assets manager	18 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		financial position and the results of discontinued operations to be presented separately in the statement of financial performance.	financial position			
Agriculture (GRAP 101)	All Departments	.01 The objective of this Standard is to prescribe the accounting treatment, financial statement presentation, and disclosures related to agricultural activity.	Departments to supply information about agricultural activities.	Classification of agricultural activities Trained Capacity	CFO	18 March 2011
Intangible assets (GRAP 102)	All Departments	.01 The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard of GRAP. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets. Definition - Intangible asset - an identifiable	Identify Intangible assets in GRAP Compliant Asset Register Identify & formulate changes in accounting policies and Asset Management Policy referring to: <ul style="list-style-type: none"> - Determining the classes of intangible assets and for each class the: - useful life or amortization rate - amortization method Put accounting systems and procedures in place to calculate/account for: <ul style="list-style-type: none"> - gross carrying amount - accumulated amortization and impairment losses - line items in the income statement in which amortization is 	Identification of intangible assets Trained Capacity	CFO	18 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		non-monetary asset without physical substance such as: <ul style="list-style-type: none"> - Computer software - Servitudes - Valuation roll - Customer lists - Customer loyalty - Customer/supplier relationships - Licensing rights 	included <ul style="list-style-type: none"> - reconciliation of the carrying amount at the beginning and the end of the period - basis for determining that an intangible has an indefinite life 			

Financial Instruments: Disclosures (IFRS 7/AC 144)	Finance	<p>The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate:</p> <p>(a) the significance of financial instruments for the entity's financial position and performance; and</p> <p>(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the</p>	<p>Disclose all financial instruments by class of financial instrument on the statement of financial position</p> <p>Debtors need to be disclosed in the following categories:</p> <ul style="list-style-type: none"> - consumer debtors - sundry debtors - fair value adjustments <p>Creditors need to be disclosed in the following categories:</p> <ul style="list-style-type: none"> - trade payables - payments received in advance - other - staff leave - fair value adjustments <p>Investments and loans payable are separately disclosed line items.</p> <p>special disclosures when</p>	Trained capacity. Systems	CFO /	31 August 2011
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Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		entity manages those risks.	<p>the fair value option is used</p> <p>reclassifications, derecognitions, pledges of assets, embedded derivatives, and breaches of terms of agreements;</p> <p>income statement and equity disclosures, including information</p> <p>gains, and losses; interest income and expense; fee income; and impairment losses; and</p> <p>other disclosures, including information about accounting policies, hedge accounting, and the fair values of each class of financial asset and financial liability.</p> <p>Information about the nature and extent of risks arising from financial instruments:</p> <p>qualitative disclosures about exposures to each class of risk and how those risks are managed and</p> <p>quantitative disclosures about</p> <p>exposures to each class of risk, separately for credit risk, liquidity risk, and market risk</p>			
Income Taxes (IAS 12/AC 102)	N/A	N/A	N/A	N/A	N/A	N/A
Employee benefits (IAS 19/AC	Finance	The objective of this Standard is to prescribe the	Advertise tender for appointment of actuary to identify and value applicable	System - availability of	CFO / Human resources	18 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
116)		accounting and disclosure for employee benefits. The Standard requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.	funds and long-service awards etc. (if applicable - any exercise will be done to establish the applicability of this)	information	manager	
Accounting for Government Grants and Disclosure of Government Assistance (IAS 20/AC 134)	Finance	This Standard shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance.	Put systems and procedures in place for the Identification of all assets acquired through Government Grants 39 The following matters shall be disclosed: (a) the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements; (b) the nature and extent of government grants recognised in the financial statements and an indication of other	Identification of assets funded by government grants Trained capacity	CFO /	31 August 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			<p>forms of government assistance from which the entity has directly benefited; and</p> <p>(c) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised</p>			
Financial Instruments: Presentation (IAS 32/AC 125)	Finance	The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.	<p>Put systems and procedures in place for the timely Identification and collection of information of :</p> <p>Compound financial instruments</p> <p>Treasury shares</p> <p>Offsetting</p> <p>Costs of issuing or reacquiring Equity Instruments</p> <p>Derecognition</p> <p>Acquiring of all details regarding interest, dividends, gains and losses relating to an instrument classified as a liability.</p> <p>Acquiring of all details regarding payments on preferred shares classified as</p>	Trained capacity	Municipal Officials/ Ext Service Provider	31 March 2011

Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
			liabilities and treat as expenses.			
Impairment of Cash-generating Assets (IAS 36/AC 128)	All Departments	1 The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.	Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all department managers, requesting them to identify assets, for which they are responsible, that has indications of impairment. Indicators of impairment includes: Evidence of obsolescence or physical damage Discontinuance, disposal or restructuring plans Declining asset performance Significant decline in market value Changes in technological, market, economic or legal environment Changes in interest rates Low market capitalisation If an indication exists, the asset must be tested for impairment Disclosure in AFS	Trained Capacity Identification of Impairment	CFO / Technical / Community services managers	30 June 2011

Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	All Departments	The objective of this Standard is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-	The only financial instruments applicable to the municipality would be debtors, creditors, investments and loans payable All financial instruments must be recognized at fair value Identify all financial	Trained capacity. System must be able to extract age analysis and calculate bad debt	CFO	31 March 2011
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Financial reporting standard	Department	Financial Reporting Standard Requirement	Milestones to be achieved to comply with the standard/Information to be Submitted [include the key challenges that have to be overcome]	Key Challenges	Responsible Person	Estimated date of compliance
		financial items. Requirements for presenting information about financial instruments are in IAS 32 Financial Instruments: Presentation. Requirements for disclosing information about financial instruments are in IFRS 7 Financial Instruments: Disclosures.	statement items that meet the definition of a financial asset/liability as defined in IAS39. Develop a methodology to record Financial Instruments in compliance with IAS39.	provision, which will assist in determining the fair values Calculating interest rates.		
Impairment of non-cash-generating Assets (IPSAS 21)	All departments	1. The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognized. The Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.	Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all department managers, requesting them to identify assets, for which they are responsible, that has indications of impairment. Disclosure in AFS	Identifying impaired assets. Trained capacity	CFO / Technical manager	31 March 2011

5.6.5. Auditor General's Report

5.6.5.1. AUDITOR PROGRESS REPORT 2009/2010

Audit Report Status: Disclaimer of audit opinion

	Non Compliance	Remedial Action taken
1.	Consumer receivables as disclosed in note 2 to the financial statements were not measured at amortised cost. The estimated difference between the amount recorded in the financial statements and the amortised cost for the current financial year and the prior financial year could not be calculated due to the differences identified between the underlying accounting records and the financial statements.	This matter has been corrected for the 2011 annual financial statements.
2.	The municipality did not assess the consumer receivables, individually or by category, for any indication that these assets may be impaired. As disclosed in note 2 to the financial statements, the provision for doubtful debts amounted to R45 661 073 (2009: R45 636 278). The provision made was a general provision, with an amount consistent with that of the prior financial year, and was not made in accordance with the above-mentioned standard. As no assessment of the receivables was performed, sufficient audit evidence to support the valuation of this provision, amounting to R45 661 073, could not be obtained and no alternative procedures could be performed.	Assessment of consumables was conducted for the purposes of 2011 annual financial statements.
3.	Supporting documentation for certain indigent consumers could not be submitted to determine whether the applicants qualified for indigence. As a result, sufficient and appropriate audit evidence could not be obtained to verify the subsidies credited to receivables amounting to R616 755 (2008: R2 663 071).	This matter is still outstanding.
4.	I was not able to obtain sufficient appropriate audit evidence as to the existence of receivables amounting to R1 292 819, as I could not obtain evidence that subsequent payments were made by the consumers or that consumers had payment agreements. The matter occurred due to the failure by management to assess the existence of consumer receivables at year-end.	This matter was catered for during the assessment of accounts receivables for the purposes of 2011 annual financial statements.
5.	An unexplained difference of R361 950 was noted between the account balance of electricity receivables as per the underlying accounting records of receivables maintained by the electricity service provider and the general ledger.	Corrections to be effected in the accounting records of CENTLEC.

6.	The valuation of other receivables disclosed in note 3 to the financial statements amounting to R4 444 994 could not be confirmed. This was due to the fact that value-added tax (VAT) on payments for capital and operating expenditure amounting to R1 623 588 could not be traced to the input VAT account included in other receivables.	Awaiting results of VAT audit that was conducted by South African Revenue Services.
7.	Included in other receivables as disclosed in note 3 to the financial statements were receivables with credit balances amounting to R4 713 987. This should have been included as payables in note 8 to the financial statements. This resulted in the understatement of other receivables and payables by R4 713 987.	Corrected during the preparation of 2011 annual financial statements.
8.	Sufficient appropriate audit evidence could not be provided for debit journal entries amounting to R11 365 147 and credit journal entries amounting to R13 580 559 that were processed in the underlying accounting records of the municipality.	All hard copy files in the finance department were perused in search for the journals required but could still not be found.
9.	Included in cash and cash equivalent was an amount of R569 881 for petty cash. This amount was overstated by R568 701 due to the fact that expenditure amounting to R570 000 and income amounting to R1 299 were incorrectly allocated to the petty cash account. Expenditure was understated by R570 000 and revenue overstated by R1 299.	Journals were processed to make corrections in the 2011 financial year.
10.	Contrary to the SA Standards of GRAP, GRAP 101 Agriculture, an amount of R564 900 (2009: R492 999) for livestock was disclosed as inventory, whereas it should have been disclosed as biological assets in the statement of financial position.	Corrections are reflected in the 2011 annual financial statements.
11.	Sufficient appropriate audit evidence could not be obtained as to the completeness, rights to, existence and valuation of property, plant and equipment disclosed in note 5 to the financial statements at a cost price of R143 514 291 (2009: R137 528 457), together with the accumulated depreciation amounting to R140 914 925 (2009: R136 738 736).	A complete asset count was conducted. The asset register has been updated and reconciled to the general ledger.
12.	Payments for infrastructure and equipment amounting to R11 979 668 could not be traced to the capital assets in the general ledger. As a result, property, plant and equipment and revenue from government grants and subsidies as disclosed in the statement on financial performance were understated by R11 979 668.	Expenditure for infrastructure has been capitalized as part of updating the asset register.

13.	Journals amounting to R804 391 were incorrectly allocated to a payable account instead of to property, plant and equipment. This misallocation resulted in the understatement of property, plant and equipment and payables as disclosed in the statement of financial position by R804 391.	Initial supporting documentation could not be obtained, therefore could not correct.
14.	Assets purchased to the amount of R205 819 were incorrectly expensed as repairs and maintenance (R77 250) and general expenses (R128 569). This misallocation resulted in the understatement of property, plant and equipment and the overstatement of the above expenditure.	Initial supporting documentation could not be obtained, therefore could not correct.
15.	The electrical service provider's confirmation of surplus or deficit in the operational account included a balance for fixed assets relating to assets of the municipality utilised by the service provider in fulfilling the terms of the agreement which was not considered during the preparation of the financial statements for the prior year. As a result of the asset register still not agreeing with the financial statements, property, plant and equipment as disclosed in note 5 to the financial statements was overstated by R140 554 (2009: understated by R1 462 597). I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.	Corrections to be made in the accounting records of CENTLEC.
16.	The obligation, existence and valuation of consumer deposits relating to the rotating electricity receivable accounts disclosed as R141 708 (2009: R72 934) in note 7 to the financial statements could not be confirmed. This was due to incorrect parameters set on the accounting system of the service provider, thus excluding consumer deposits applicable to the municipality from being included and disclosed as such.	Relevant financial information has been requested from CENTLEC for consideration in the preparation of 2011 annual financial statements.
17.	The financial information of the municipality as contained in the confirmation from the electrical service provider was not considered during the preparation of the financial statements of the municipality for the prior year. Consequently, payables as disclosed in note 8 to the financial statements were understated by R1 336 031 for the prior year	Relevant financial information has been requested from CENTLEC for consideration in the preparation of 2011 annual financial statements.
18.	Invoices in respect of the traffic services captured on the system were incorrectly captured as R3 364 313 instead of R2 090 170. A difference of R690 170 between the amounts paid and the invoices submitted could also not be explained. This was due to the lack of sufficient controls at the municipality to ensure that transactions were captured accurately on the financial system.	This matter is outstanding.

19.	IAS 39 states that financial liabilities should, after initial recognition, be measured at amortised cost using the effective interest method. In instances where the entity purchases goods on extended payment terms, the effect of the time value of money must be taken into account where material. Extended payment terms were granted to the municipality as most of the purchases were made on credit and no or limited interest was charged by suppliers as disclosed in the statement of financial performance. Contrary to the above, expenses with deferred payment terms were not discounted by the municipality. Furthermore, trade payables amounting to R6 096 389 as disclosed in note 8 to the financial statements were recorded at amortised cost.	Correct disclosures have been made in the 2011 annual financial statements.
20.	Management could not provide explanations or sufficient audit evidence for other payables to the total value of R5 135 150 (2009: R5 135 150) in respect of irreconcilable VAT payable included in other payables as disclosed in note 9 to the financial statements.	This matter is outstanding pending the outcomes of a VAT review by the South African Revenue Services.
21.	Management could not provide explanations or sufficient audit evidence for other payables to the total value of R2 530 372 (2009: R3 039 616) as disclosed in note 9 to the financial statements.	Council approval was obtained to write-off the affected account balances.
22.	Management could not provide explanations or sufficient audit evidence in the prior year for accounts to the total value R1 053 142 in respect of unknown deposits included in other payables as disclosed in note 9 to the financial statements.	This matter is still outstanding.
23.	The obligation, existence and valuation of unspent conditional grants disclosed as R8 583 409 (2009: R13 397 280) in the statement of financial position and note 10 to the financial statements could not be verified. No proper register or other sufficient appropriate documentation could be obtained to confirm the opening balances, the portion of the grant spent or transferred to revenue, and the closing balances.	Grant balances for the 2011 have been corrected and properly accounted for in the 2011 financial statements.
24.	Unspent conditional grants as disclosed in the statement of financial position were overstated and other receivables as disclosed in the statement of financial position understated by R2 105 484, as unspent grant accounts with debit balances were incorrectly included in note 10 to the financial statements.	Grant balances for the 2011 have been corrected and properly accounted for in the 2011 financial statements.
25.	The leave records of the municipality were not reliable for purposes of establishing the accuracy and completeness of leave to the credit of officials at year-end. This was due to accrued leave not always being accurately calculated, leave taken that could not always be substantiated by approved leave forms or other supporting documentation, and leave taken that was not always recorded in leave records	Leave records for the 2011 financial year have been corrected and all employees were afforded the opportunity to sign acknowledgement of their leave balances.

26.	No loan agreements could be obtained) from the service provider for the loan included under long-term liabilities in the statement of financial position and in note 13 to the financial statements amounting to R1 888 655 (2009: R1 603 150).	Efforts are still underway to obtain a loan agreement from CENTLEC.
27.	An unexplained difference of R7 653 715 existed on 30 June 2010 between the balance of the accumulated deficit in the underlying accounting records and the accumulated deficit as disclosed in the statement of financial position and the statement of changes in net assets. Furthermore, management could not provide me with sufficient appropriate audit evidence regarding journals with a net value of R11 219 618 (2009: R1 947 653) processed against the accumulated deficit account.	This matter was corrected for the 2011 financial year.
28.	The corresponding amounts for expenditure, payables and accumulated surplus were not restated in terms of the SA Standard of GRAP, GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors, in respect of expenditure amounting to R1 078 695 relating to the prior year, but were recorded in the accumulated deficit account. This resulted in the accumulated deficit for the 2008-09 financial year being understated by R1 078 695.	The errors were corrected for the 2011 financial year.
29.	Supporting documentation could not be obtained for audit purposes for the transactions processed as prior year errors as disclosed in the statement of changes in net assets amounting to R11 072 909 and note 24 to the financial statements amounting to R6 718 209.	Due to capacity challenges this matters could not be resolved.
30.	As management was unable to provide a complete list or register of all rotating electricity meters registered in the municipal area, I was unable to obtain sufficient appropriate audit evidence on the completeness of service charges from the supply of conventional electricity amounting to R3 024 576 (2009: R2 568 641), included in service charges in the statement of financial performance and note 15 to the financial statements.	Information has been requested from CENTLEC

31.	The management of the municipality outsourced the management and collection of traffic fines to an external service provider. The contractual agreement signed between the municipality and the service provider states that a monthly fee equivalent to 30% of all fines collected in a calendar month will be recognised as revenue of the municipality. No control procedures were performed to monitor the compliance with the agreement or reconcile the amounts received from the service provider. Consequently, I did not obtain all the information and explanations I considered necessary to confirm the accuracy and completeness of traffic fine income to the amount of R576 152 (2009: R1 033 949), included in other income in the statement of financial performance and note 17 to the financial statements.	Due to capacity challenges this matters could not be resolved.
32.	Management was unable to provide explanations or supporting documentation for the difference between the electronic and manual valuation roll amounting to R4 253 711 (2009: R446 852). I was unable to confirm the accuracy and completeness of property rate income disclosed as R6 068 129 (2009: R4 180 942) in the statement of financial performance and note 14 to the financial statements. The entity's records did not permit the performance of reasonable alternative audit procedures.	Due to capacity challenges this matters could not be resolved.
33.	Management was unable to provide the prepaid electricity sales data for the period 1 April 2010 to 30 June 2010. I was unable to confirm the accuracy and completeness of prepaid sales amounting to R8 543 430 included in sale of electricity disclosed in the statement of financial performance and note 15 to the financial statements	Information has been requested from CENTLEC
34.	Management was unable to provide sufficient appropriate supporting documents relating to revenue transactions and journals amounting to R1 724 920 (2009: R 2 647 665) and R2 188 329 (2009: R4 705 921), respectively.	After much search required documents could still not be found.
35.	The electrical service provider's confirmation included an amount of R9 330 746 in respect of revenue for the prior year that was not considered during the preparation of the financial statements of the municipality. Consequently, revenue for the prior year as disclosed in the statement of financial performance was understated by R9 330 746.	This matter has been corrected in the 2011 annual financial statements.

36.	Not all water meter readings used to levy service charges during the year were correct. In certain instances it was also identified that the water consumption was not billed or that water service charges were incorrectly calculated. As the municipality did not have reliable processes to ensure that water consumption was accurately billed, I was not able to obtain sufficient appropriate audit evidence in respect of the accuracy, occurrence and completeness of water levies amounting to R1 925 421 included in service charges in the statement of financial performance and note 15 to the financial statements	Due to capacity challenges this matters could not be resolved.
37.	A complete and efficient register in respect of properties and equipment for rent could not be provided by management. In the absence of registers, the municipality's records did not permit the application of alternative audit procedures. Consequently, I did obtain all the information and explanations I considered necessary to confirm the occurrence, accuracy and completeness of rent income as disclosed in the statement of financial performance to the amount of R397 613 (2009: R421 957).	A register of properties has been completed and submitted for audit.
38.	Management was unable to provide explanations or supporting documentation for the difference between government grant income amounting to R29 465 781 according to the statement of financial performance and the external confirmation obtained amounting to R32 768 618. Accordingly, I was not able to confirm the occurrence, accuracy and completeness of government grant income as disclosed in the statement of financial performance.	This matter has been corrected in the 2011 annual financial statements.
39.	Management was unable to provide sufficient appropriate audit evidence in respect of payments as recorded in the general ledger amounting to R1 262 228 (2009: R1 518 887). Furthermore, expenditure vouchers for transactions with a projected value of R1 188 648 could not be obtained. In the absence of adequate payment vouchers, alternative audit procedures could not be performed.	After much search required documents could still not be found.
40.	Sufficient supporting documentation for journals could not be provided by management for entries recorded against the expenditure accounts with an estimated projected value of R1 174 174 (credit) (2009: R133 665 debit). In the absence of the necessary supporting documents attached to journals, the entity's records did not permit the application of alternative audit procedures.	After much search required documents could still not be found.

41.	The electrical service provider's confirmation indicated an amount of R9 543 790 in respect of expenditure for the prior financial year, which was not considered in the preparation of the financial statements of the municipality. Consequently, expenditure for the prior year was understated by R9 543 790.	This matter has been corrected in the 2011 annual financial statements.
42.	Material re-classifications were made to the expenditure for the prior year compared to the financial statements for the year ended 30 June 2009, as the accounting framework changed to SA Standards of GRAP. However, working papers and supporting documentation for the re-allocations could not be submitted. Furthermore, the expenditure for the prior year differed with R722 997 from the underlying accounting records obtained for audit purposes. In the absence of working papers, supporting documentation and reconciliations between the underlying accounting records and the financial statements, the entity's records did not permit the application of alternative audit procedures.	This matter has been corrected in the 2011 annual financial statements.
43.	Invoices attached to payment vouchers were not signed by the receiver of the goods as evidence that the goods were in fact received by the municipality. Due to the lack of proof that the goods had been received by the municipality, the occurrence of this expenditure amounting to a projected value of R1 550 437 could not be confirmed	The control environment in this regard has not improved.
44.	Payments amounting to R1 563 640 could not be traced to the expenditure vote in the general ledger. This expenditure was incorrectly allocated to the credit control account and not allocated to operating expenditure. As a result, operating expenditure was understated by R1 563 640.	Due to missing supporting documents this error could not be corrected.
45.	Bulk purchases of electricity were understated by R508 541 due to an incorrect journal passed in this regard by the electrical service provider. The matter occurred due to the fact that the management of the municipality had no reviewing access over the journal entries processed by the electrical service provider.	Corrections are to be made in the accounting records of CENTLEC
46.	According to supporting documentation, payments were made to two separate suppliers for the same photocopy machines with the same serial numbers. An amount of R1 079 358 was paid to the one supplier and R297 744 to the other.	This matter is subjected to a forensic audit.

47.	Reconciliations were not performed between the amount for employment-related cost(including remuneration of councillors) according to the payroll system and the amounts captured on the underlying accounting records and disclosed in the financial statements. An unexplained difference of R4 821 771 existed between the total employee-related cost according to the payroll system (R20 468 056) and the amount captured in the general ledger and disclosed as employee-related cost and remuneration of councillors (R25 289 827) in the statement of financial performance and notes 18 and 19 to the financial statements.	Reconciliations for the 2011 financial year were prepared and submitted for audit.
48.	The accounting framework changed to SA Standards of GRAP during the year under review and no supporting documentation could be provided to confirm the change in the balance for salaries, wages and allowances from R21 204 327 as disclosed in the prior financial statements to R20 262 098 according to SA Standards of GRAP as disclosed in the statement of financial performance and note 18 to the financial statements of the current year. The municipality's records did not permit the application of alternative audit procedures.	This matter has been corrected in the 2011 annual financial statements.
49.	Adequate supporting documentation relating to journals processed to record employment-related costs amounting to R241 729 (2009: R381 602) could not be obtained for audit purposes. The municipality's records did not permit the application of alternative audit procedures regarding salary-related costs.	After much search required documents could still not be found.
50.	Adequate supporting documentation, such as employment contracts, annexures to the contracts stipulating the salary and allowances of employees, personnel files and supporting documents for allowances paid, could not be obtained for employee-related cost amounting to R573 342 (2009: R1 978 485).	All relevant documents have been made available to the auditors.
51.	A register could not be obtained for audit purposes of capital commitments approved and contracted of R26 649 008 (2009: R15 715 523) and approved and not yet contracted of R12 460 000, as disclosed in note 22 to the financial statements	A capital commitments register has been completed and submitted for audit.
52.	According to the SA Standard of GRAP, GRAP 19 Contingent Liabilities, an entity shall disclose for each	Correct and complete disclosures have been made in the 2011 annual

	<p>class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow, as well as the possibility of any reimbursement. The municipality only disclosed a short narrative of the labour cases pending without reference to the financial effect, the uncertainties relating to the amount and the timing of any possible outflows in note 26 to the financial statements. Furthermore, the completeness of the contingent liabilities disclosed in note 26 to the financial statements could not be verified, as five additional possible contingent liabilities amounting to R507 356 were identified during the audit process.</p>	financial statements.
53.	A lease register supported by lease contracts could not be obtained for audit purposes. Through inspection of payments and the accounting records, possible leases with total lease payments during the year amounting to R2 202 226 were identified that were not disclosed in note 35 to the financial statements.	A leases register has been prepared and submitted for audit.
54.	According to the SA Standard of GRAP, GRAP 13 Leases, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Contrary to this requirement, the minimum future lease payments disclosed in note 35 to the financial statements amounting to R668 160 (2009: R835 200) were for a finance lease and not an operating lease.	This matter has been corrected in the 2011 annual financial statements.
55.	<p>The expenditure listed below complies with the definition of irregular expenditure as set out in section 1 of the MFMA but was not disclosed in note 38.2 to the financial statements as required in terms of section 125(2)(d) of the MFMA:</p> <p>Irregular expenditure for the 2009-10 financial year:</p> <p>Irregular expenditure to the amount of R25 788 491 (2009: R86 525) was incurred as the supply chain management policy and supply chain management regulations not having been adhered to.</p> <p>Expenditure amounting to R1 480 066 was incurred without the authorisation of the municipal manager, the chief financial officer or a properly delegated official as required by section 106 of the MFMA.</p> <p>Irregular expenditure for the 2008-09 financial year:</p> <p>Expenditure of R2 029 149 was incurred during the prior year in respect of VAT services outsourced to an independent consultant without following the tender</p>	Identified expenditure is currently under investigation by Management a detailed report in this regard will be submitted to Council by 30 September 2011.

	<p>procedures.</p> <p>Adjustments were made to the salaries of the managers directly responsible to the municipal manager during the 2008-09 financial year without obtaining the approval of the council or the speaker, which was contrary to the prescripts of section 60(1)(b) of the Local Government: Municipal Systems Act, 2000 of South Africa (Act No. 32 of 2000) (MSA). The payments amounted to R69 226.</p> <p>Irregular expenditure was identified during a forensic audit conducted in the prior year amounting to R33 690 607</p>	
56.	<p>Furthermore, I could not be provided with sufficient appropriate audit evidence that management had properly identified, investigated and recorded all irregular expenditure transactions during the current and prior year. Due to the limitations placed on the scope of the work performed relating to expenditure and the procurement of property, plant and equipment procurement, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness of irregular expenditure, as disclosed in note 38 to the financial statements.</p>	<p>Identified expenditure is currently under investigation by Management a detailed report in this regard will be submitted to Council by 30 September 2011.</p>
57.	<p>Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure that was made in vain and would have been avoided had reasonable care been exercised. The following fruitless and wasteful expenditures were identified and were not disclosed in note 38.1 to the financial statements as required in terms of section 125(2)(d) of the MFMA:</p> <p>Fruitless and wasteful expenditure for the 2009-10 financial year:</p> <p>A contract for traffic services terminated early which resulted in a settlement payment of R438 596 to the service provider.</p> <p>Additional interest and penalties amounting to R188 815 (2009: R133 401) were charged by service providers and the South African Revenue Service.</p> <p>Fruitless and wasteful expenditure for the 2008-09 financial year:</p> <p>The technical evaluation report for the Matlakeng housing scheme indicated that the contract price to be paid to the contractor was R1 900 000. However, the contractor was paid R2 373 282 during the prior year, which was R473 282 more than what should have been paid. No explanations were provided for the overpayment. Fruitless and wasteful expenditure was identified during a forensic investigation in the prior year amounting to R19 019.</p>	<p>Identified expenditure is currently under investigation by Management a detailed report in this regard will be submitted to Council by 30 September 2011.</p>

58.	According to note 38.1 to the financial statements, fruitless and wasteful expenditure amounting to R207 430 for the 2009-10 financial year and R449 041 for prior year were condoned by the council. According to underlying records these fruitless and wasteful expenditures were only approved to be condoned during October 2010. Consequently fruitless and wasteful expenditures disclosed in note 38.1 to the financial statements were understated by these amounts.	This matter has been correctly disclosed in the 2011 annual financial statements.
59.	Processes, controls and a register were not in place to ensure that all fruitless and wasteful expenditure was identified and disclosed in the financial statements. Due to the lack of controls and a register to ensure the complete disclosure of fruitless and wasteful expenditure, alternative procedures could not be performed to obtain sufficient appropriate audit evidence as to the completeness of fruitless and wasteful expenditure of R207 430 disclosed in note 38.2 to the financial statements.	Management has implemented a register to record all identified instances of fruitless and wasteful expenditure. Identified fruitless and wasteful expenditure is investigated and treated as per provisions of the MFMA.
60.	Contrary to GAAP, IFRS 7 (AC 144) Financial Instruments: Disclosures, the financial statements did not disclose the risks arising from financial instruments that the entity was exposed to and how they had been managed.	Correct disclosures have been made in the 2011 annual financial statements.
61.	The distribution loss from the electricity service was not disclosed in the notes to the financial statements as required in terms of section 125(2)(d) of the MFMA. The distribution loss for electricity could not be determined as a result of a lack of information to confirm the loss. Due to the lack of controls, information and reconciliations to calculate the distribution loss, alternative procedures could not be performed to determine the loss.	Awaiting information to be supplied by CENTLEC.
62.	Several material unexplained differences were identified regarding the amounts disclosed in the statement of changes in net assets. According to the prior financial statements, funds and reserves amounted to R5 118 483 and R5 672 077 as at 30 June 2008 and 30 June 2009, respectively. The statement of changes in net assets	This matter was corrected when the 2011 annual financial statements were prepared.
	indicated that the balance of funds and reserves amounted to R5 737 266 and R0 as at 30 June 2008 and 30 June 2009, respectively. As the relevant supporting information was also not available, I was not able to confirm the adjustments that were required to correct the statement of changes in net assets.	

63.	<p>Due to the extent of the audit differences, together with the extensive limitation of scope placed on the audit as highlighted in the Basis for disclaimer of opinion paragraphs above, the accuracy of the cash flow statement and the notes thereto could not be verified. No alternative audit procedures could be performed on the cash flow statement as the municipality's records did not permit this. Consequently, I did not obtain all the information and explanations I consider necessary to satisfy myself as to the accuracy of the figures disclosed in the cash flow statement.</p>	<p>This matter was corrected when the 2011 annual financial statements were prepared.</p>
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**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON MOHOKARE LOCAL MUNICIPALITY
REPORT ON THE FINANCIAL STATEMENTS**

Introduction

1. I was engaged to audit the accompanying financial statements of the Mohokare Local Municipality, which comprise statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 165 to 273.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No.1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Consumer debtors

4. I was unable to obtain sufficient appropriate audit evidence for consumer debtors of R9 780 253 (2010: R13 843 842) as disclosed in note 12 to the financial statements due to the following:
 - Supporting documentation for certain indigent consumers could not be submitted to determine whether the applicant qualifies for indigence and to determine the occurrence, accuracy and completeness of the subsidies credited to receivables for indigent consumers amounting to R1 612 628 (2010: R616 755).
 - I was not able to obtain sufficient appropriate audit evidence as to the existence of receivables amounting to R1 751 220 (2010: R1 292 819), as I could not obtain evidence that subsequent payments were made by the consumers or that consumers had payment agreements for receivables amounting to R1 751 220. The matter occurred due to the failure by management to assess the existence of consumer receivables at year-end.
 - A difference of R722 012 was noted between the account balance of trade and other receivables as per the debtor age analysis and the general ledger that could not be explained.

Furthermore, a difference of R2 231 098 was noted between the debtors system for bad debts written off for which council approval was obtained and the amount disclosed in note 12 to the financial statements. Contrary to the SA Standards of GRAP, GRAP 1, *Presentation of financial statements*, corresponding figures in respect of the aging of receivables were not disclosed in note 12 to the financial statements to achieve fair presentation.

Due to the lack of information, I was unable to perform reasonable alternative audit procedures to provide

me with the required audit assurance with regard to receivables and bad debts written off. Consequently, I was unable to determine the valuation, completeness, existence, allocation and rights to consumer debtors of R9 780 253 (2010: R13 843 842), as disclosed in note 12 to the financial statements.

5. The South African Statement of Generally Accepted Accounting Practice (GAAP), IAS 39 (AC 133), *Financial instruments: Recognition and measurement* states that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Contrary to the above, the municipality did not assess the consumer receivables, individually or by category, for any indication that these assets may be impaired during the prior year. As disclosed in note 12 to the financial statements, the provision for doubtful debts for the prior year amounted to R45 661 073. The provision made for the prior year was a general provision and was not made in accordance with the above-mentioned standard. As no assessment of the receivables was performed and no alternative procedures could be performed, sufficient appropriate audit evidence to confirm the valuation of the provision for doubtful debts for the prior year of R45 661 073, as disclosed in note 12 to the financial statements could not be obtained.

Value-added tax (VAT) receivable

6. Management was unable to provide explanations or supporting documentation for the difference of R2 367 244 between the output VAT according to the general ledger and the returns, as well as for the difference of R2 879 176 between the input VAT according to the general ledger and the VAT returns for the year. Furthermore, management did not claim VAT on capital expenditure resulting in the understatement of the VAT receivable by R1 873 975 and the overstatement of property, plant and equipment with the said amount. This was due to the fact that payments were expensed against the municipal infrastructure grant suspense account without taking the VAT effect into consideration. The entity's records did not permit the performance of reasonable alternative audit procedures. Accordingly, I was not able to confirm the existence, valuation and completeness of the VAT receivable amounting to R6 528 332, as disclosed in the statement for financial position and note 11 to the financial statement. -

Investment property

7. The municipality could not provide sufficient appropriate audit evidence to support the completeness, rights to and existence of investment property of R29 404 500 (2010: R880 853) disclosed in note 5 to the financial statements, due to the following:
- Title deeds of investment property amounting to R3 034 500 could not be provided for audit purposes.
 - Investment property register was incomplete as all property was not clearly defined, the location of the property was not clearly indicated and the investment property register could not be reconciled with the asset register.

The municipality's system did not allow for the performance of alternative procedures. Consequently, I was unable to satisfy myself as to the completeness, valuation, allocation, existence and rights and obligations of investment properties.

Property, plant and equipment

8. GRAP 17, *Property plant and equipment*, requires the entity to identify and correctly classify assets between inventories, investment properties, property, plant and equipment and to recognise these assets using the principles in the Standards of GRAP. Contrary to this requirement and due to asset register that was not correctly updated and did not contain the required information to identify assets, I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment of R155 975 629 (2010: R168 770 562) included in the statement of financial position and note 6 to the financial statements. The entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine the completeness, rights to and existence of property, plant and equipment.

Trade and other payables

9. I was unable to obtain sufficient appropriate audit evidence for trade and other payables of R21 500 208 (2010: R16 179 288), as disclosed in the statement of financial position and note 17 to the financial statements. Alternative procedures confirmed that payables are understated, but the amount of the understatement could not be practically determined due to a lack of reconciliations, supporting statements and invoices. Furthermore, IAS 39 (AC 133), *Financial instruments: Recognition and*

measurement indicates that financial liabilities should, after initial recognition, be measured at amortised cost using the effective interest method. Contrary to the above, expenses which have deferred payment terms have not been discounted by the municipality. Long-term service awards were also not recognised as a liability as required in terms of IAS 19 (AC 116), *Employee benefits*. The municipality's system did not allow alternative procedures to practically determine the impact of not applying GAAP as indicated on other account balances or classes of transactions. Consequently, I was unable to determine the existence, obligations of, completeness, valuation and allocation of trade and other payables.

Unspent conditional grants

10. The municipality could not provide sufficient appropriate audit evidence to support the completeness, rights and obligations, existence, valuation and allocation of unspent conditional grants of R22 195 902 (2010: R10 688 892) disclosed in the statement of financial position and note 16 to the financial statements. Alternative audit procedures could not be performed due to the extent of the weakness identified and the fact that the municipality's records did not permit the application of alternative procedures. Consequently, I was not able determine the completeness, obligations of, existence, valuation and allocation of unspent conditional grants.

Long- term liability

11. No loan agreements could be obtained for the loan of R1 337 755 (2010: R1 462 597) from the electrical service provider, included under long-term liabilities in the statement of financial position and note 14 to the financial statements. Alternative procedures performed to obtain loan agreements were unsuccessful and the municipality's records did not permit the application of further alternative audit procedures regarding these loans. I was therefore unable to confirm the obligation of, existence and valuation of these loans. The disclosure of and calculation of the current portion of long-term liabilities could also not be confirmed due to the limitations identified above. This occurred as management did not implement recommendations and take steps to ensure loan agreements are obtained.

Revenue

12. I was unable to obtain sufficient appropriate audit evidence for service charges of R28 275 181 (2010: R25 302 341), government grants and subsidies of R68 189 764 (2010: R40 790 368), rental of facilities and equipment of R656 777 (2010: R399 594) and other income of R1 135 008 (2010: R3 164 589), included in the total revenue of R101 750 443 (2010: R76 000 730 and disclosed in notes 19 to 22 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did obtain all the information and explanations deemed necessary to determine the occurrence, completeness, accuracy, cut off and classification of revenue of R98 256 730 (2010: R69 656 892). This occurred due to the failure of management to perform and review reconciliations in respect electricity revenue, traffic fines and government grants and subsidies, to ensure accurate recording of transactions on the accounting records. Furthermore, management did not ensure that adequate records and documentation were not available to support water revenue, rental of facilities and equipment and other income.
13. I was unable to obtain sufficient appropriate audit evidence as to the accuracy and completeness of property rates income of the prior year of R6 068 130. The entity's records did not permit the performance of reasonable alternative audit procedures. Consequently, I was unable to confirm the accuracy and completeness of property rates income for the prior year of R6 068 130 as disclosed in the statement of financial performance and note 18 to the financial statements.

Expenditure

14. Sufficient supporting documentation for journals could not be provided by management for entries recorded against the expenditure accounts with an estimated projected value of R1 174 174 for the prior financial year. In the absence of journals attached with all the necessary supporting documents, the entity's records did not permit the application of alternative audit procedures. Accordingly, I was not able to confirm the occurrence, accuracy and classification of these transactions for the prior year.
15. The municipality could not provide sufficient appropriate audit evidence to support the occurrence of expenditure of R6 307 132 (2010: R2 927 538), which includes duplicate payments of R1 270 286 (2010: R1 377 102), duplicate recordings of R1 108 814 and expenditure of R357 575 recorded in the incorrect

period. Furthermore, sufficient appropriate audit evidence was not available to support the occurrence, completeness, accuracy, cut off and classification of electricity bulk purchases of R16 136 859. The municipality's records did not permit the application of alternative procedures. Consequently, I was unable to determine the occurrence of expenditure of R6 307 132 (2010: R2 927 538), and the occurrence, completeness, accuracy and classification of expenditure of bulk electricity purchases of R16 136 859 included in the expenditure disclosed in the statement of financial performance.

Employee-related cost

16. Adequate supporting documents for allowances and overtime paid could not be obtained for employee-related cost amounting to R1 066 733 (2010: R573 342). The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy, occurrence and classification of these expenses.
17. Reconciliations were not performed between the amount for employment related cost (including remuneration for councillors) according to the payroll system and the amounts captured on the general ledger and disclosed in the financial statements during the prior year. An unexplained difference of R3 590 619 existed between the total employee related cost according to the payroll system (R20 468 056) and the amount captured in the general ledger **and** disclosed as employee related cost and remuneration for councillors (R24 058 675) for the prior year in the statement of financial performance and notes 25 and 26 to the financial statements. The municipality's records did not permit the application of alternative audit procedures regarding the unexplained difference between the amounts disclosed in the financial statement compared to the payroll system. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy, occurrence and classification of the employee related cost and remuneration of councillors of R24 058 675 for the prior year as disclosed in the statement of financial performance and notes 25 and 26 to the financial statements .

Capital commitments

18. In the absence of a register for capital commitments, sufficient appropriate audit evidence for commitments approved and contracted of R2 346 453 (2010: R26 649 008) and commitments approved and not yet contracted of R12 407 994 (2010: R12 460 000), as disclosed in note 34 to the financial statements could not be obtained. In the absence of a commitment register there were no satisfactory alternative audit procedures that I could perform. Consequently, I was unable to determine the completeness of commitments disclosed in note 34 to the financial statements.

Irregular expenditure

19. Irregular expenditure of R25 093 393 (2010: R25 788 491) was identified during the audit that was incurred due to supply chain management (SCM) policy and SCM regulations, which were not adhered to. This irregular expenditure was not disclosed in note 43 to the financial statements, as required in terms of section 125(2)(d) of the MFMA. Furthermore, I could not be provided with sufficient, appropriate audit evidence that management had properly identified, investigated and recorded all irregular expenditure transactions during the current and prior years. Due to the limitations placed on the scope of the work performed relating to expenditure and property, plant and equipment procurement, there were no satisfactory alternative audit procedures that I could perform to confirm the completeness, existence and valuation of irregular expenditure of R45 559 856 (2010: R63 144 064), as disclosed in note 43 to the financial statements.

Fruitless and wasteful expenditure

20. Fruitless and wasteful expenditure of R4 273 495 (2010: R834 8411) was identified during the audit that was not disclosed in note 42 to the financial statements, as required in terms of section 125(2)(d) of the MFMA. There were no satisfactory alternative audit procedures that I could perform. Consequently, I could not determine the completeness, existence and valuation of fruitless and wasteful expenditure of R833 142 (2010: R1 253 110), as disclosed in note 42 to the financial statements.

Presentation and disclosure

21. Contrary to the requirements of section 15(2)(d) of the MFMA, the distribution loss from the water and electricity service, was not disclosed in the notes to the financial statements. Due to the lack of controls, information and reconciliations to calculate the distribution loss, alternative procedures could not be performed to determine the loss.

Cash flow statement

22. Due to the extent of the audit differences, together with the extensive limitation of scope on the audit as highlighted in the basis for disclaimer of opinion, I was unable to obtain sufficient appropriate audit evidence for amounts and disclosures included in the cash flow statement and notes thereto. As alternative procedures could not be performed, I was unable to practically quantify the misstatements in the cash flow statement and notes thereto. Consequently, I did not obtain all the information and explanations I consider necessary to satisfy myself as to the accuracy, completeness and presentation and disclosure of the cash flow statement and notes thereto.

Going concern

23. According to the SA Standards of GRAP, GRAP 1, *Presentation of financial statements*, when preparing financial statements an assessment of an entity's ability to continue as a going concern shall be made. According to note 2.2 to the financial statements the financial statements have been prepared on the assumption that the municipality will continue as a going concern. The municipality, however, did not settle its debt within 30 days as required by the MFMA and is significantly dependent on the national and provincial governments for its continued sustainability. These conditions point to the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern. The municipality may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

Disclaimer of opinion

24. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matter

25. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

26. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of an error discovered during 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2010.

Material losses and impairments

27. As disclosed in note 12 to the financial statements, impairments of R42 166 845 (2010: R45 661 072) were incurred and debts amounting to R8 146 803 were written off as irrecoverable as a result of the municipality's inability to recover debts.

Material underspending of conditional grant

28. As disclosed in note 16 to the financial statements, the municipality has materially underspent the budget on municipal infrastructure grants to the amount of R12 487 503. As a consequence, the municipality has not achieved its objectives of providing infrastructure for service delivery.

Unauthorised expenditure

29. As disclosed in note 41 to the financial statements, the municipality incurred unauthorised expenditure of R15 118 443 as a result of exceeding the limits of the different votes in the approved budget.

Additional matters

30. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary information

31. The supplementary information set out on pages 261 to 273 does not form part of the financial statements and is presented as additional information. I have not audited these annexures and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

32. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 36 to 144 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Presentation of information

33. The reported performance against predetermined objectives was deficient in respect of the following criterion:

- Performance against predetermined objectives was not reported using the National Treasury guidelines.

34. The following audit findings relate to the above criterion:

- **Reasons for major variances between planned and actual reported targets were not provided in the report on predetermined objectives**

Adequate explanations for major variances between the planned and the actual reported targets for all the programmes were not provided, as required in terms of the relevant reporting guidance.

Measures taken to improve performance were not provided in the performance report, as required in terms of section 46(1)(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA). All of the reported targets where improvement is required were not explained.

Usefulness of information

35. The reported performance information was deficient in respect of the following criteria:

- **Relevance:** There is no clear and logical link between the objectives, outcomes, outputs, indicators and performance targets.
- **Measurability:** The indicators are not well defined and verifiable, and targets are not specific and/or measurable.

36. The following audit findings relate to the above criteria:

- **Planned targets are not relevant to the objectives of the entity**

The measure and targets per the annual performance report did not relate directly to 63% of the institution's strategic objectives and targets as per the integrated development plan.

- **Planned and reported targets are not specific and measurable**

For the selected objectives in the IDP, 43% of the planned and reported targets were not:

- specific in clearly identifying the nature and the required level of performance
- measurable in identifying the required performance.

Reliability of information

37. The reported performance information was deficient in respect of the following criteria:

- **Validity:** The reported performance did not occur and does not pertain to the entity.
- **Accuracy:** The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.

- Completeness: All actual results and events that should have been recorded have not been included in the reported performance information.

38. The following audit findings relate to the above criteria:

- **The validity, accuracy and completeness of reported performance against indicators could not be confirmed as inadequate supporting source information was provided**
 - For the selected objectives the validity, accuracy and completeness of 24% of the reported indicators could not be established as sufficient appropriate audit evidence and relevant source documentation could not be provided.
 - For the actual performance achieved for establishing 10 cooperatives, the source information or evidence provided was not complete as the evidence only indicates that seven cooperatives were established.

Compliance with laws and regulations

Strategic planning and performance management

39. The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required by sections 38, 39, 40 and 41 of the MSA and Municipal Planning and Performance Management Regulations 7 and 8.
40. The accounting officer of the municipality did not, by 25 January, assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(1)(a)(ii) of the MFMA.

Budget

41. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.
42. The mayor did not submit all quarterly reports to the council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
43. The accounting officer did not always submit the monthly budget statements to the mayor and/or the relevant provincial treasury, as required by section 71(1) of the MFMA.

Annual financial statements, performance and annual report

44. The financial statements submitted for auditing were not prepared, in all material respects, in accordance with the requirements of section 122 of the MFMA. Material misstatements of cash and cash equivalents and disclosure items identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a disclaimer audit opinion.
45. The accounting officer did not make public the council's oversight report on the 2009-10 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.

Audit committees

46. No audit committee was in place from December 2010 to March 2011, as required by section 166(1) of the MFMA.
47. The audit committee did not function as required by section 166 of the MFMA, in that:
- the audit committee did not advise the council, the accounting officer and the management staff of the municipality on matters relating to internal financial control and internal audits, risk management,

accounting policies, performance management, effective governance, compliance with applicable legislation and performance evaluation

- the audit committee did not respond to the council on any issues raised by the auditor-general in the audit report
- The audit committee did not meet at least four times a year.

48. The audit committee did not advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.

49. The audit committee did not advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 166(2)(a) of the MFMA.

50. The performance audit committee or another committee functioning as the performance audit committee did not perform the following, as required by Municipal Planning and Performance Management Regulation 14:

- Meet at least twice during the financial year
- Review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality
- Review the municipality's performance management system and make recommendations in this regard to the council of the municipality
- Submit an auditor's report to the council regarding the performance management system at least twice during the financial year.

Internal audit

51. The municipality did not have a functioning internal audit unit in place, as required by section 165(1) of the MFMA.

Procurement and contract management

52. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers, as per the requirements of SCM regulation 17(a) and (c).

53. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of SCM regulations 19(a) and 36(1).

54. Invitations for competitive bidding were not always advertised for a required minimum period of days as per the requirements of SCM regulations 22(1) and 22(2).

55. Bid specifications were not drafted by bid specification committees, which consisted of one or more officials of the municipality, as required by SCM regulation 27(3).

56. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees, which consisted of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as per the requirements of SCM regulation 28(2).

57. Final awards and/or recommendation of awards to the accounting officer were not always made by an adjudication committee, which consisted of at least four senior managers of the municipality as per the requirements SCM regulation 29(2).

58. Awards were made to providers whose tax matters had not been declared by the South African Revenue Services to be in order as required by SCM regulation 43.

59. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of SCM regulation 13(c).

60. The preference point system was not applied in all procurement of goods and services above R30 000 as

required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).

- 61. Awards were made to suppliers based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
- 62. The performance of contractors or providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA.
- 63. The contract performance measures and methods whereby they are monitored were insufficient to ensure effective contract management as per the requirements of section 116(2)(c) of the MFMA.
- 64. The accounting officer failed to investigate allegations against an official or role player, of fraud, corruption, favouritism, unfair or irregular practice or failure to comply with the SCM policy, as per the requirements of SCM regulation 38(1)(b).

Human resource management and compensation

- 65. Senior managers directly accountable to the municipal manager did not sign annual performance agreements for the year under review, as required by sections 57(1)(b) and 57(2)(a) of the MSA.
- 66. The municipal manager did not provide job descriptions for each post in the staff establishment, as required by section 66(1)(b) of the MSA.

Expenditure management

- 67. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
- 68. Sufficient appropriate audit evidence could not be obtained that money owing by the municipality was always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
- 69. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.
- 70. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system, which recognised expenditure when it was incurred, accounted for creditors of the municipality and accounted for payments made by the municipality, as required by section 65(2)(b) of the MFMA.
- 71. The accounting officer did not take reasonable steps to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
- 72. The municipality did not recover unauthorised, irregular as well as fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.
- 73. The accounting officer did not always report to the South African Police Service the cases of alleged irregular expenditure that constituted a criminal offence or theft and fraud, as required by section 32(6) of the MFMA.

Transfer of funds and/or conditional grants

- 74. The accounting officer did not evaluate the performance of the municipality in respect of programmes funded or partially funded by a schedule 4 allocation within two months after the end of the financial year, as required by section 11(6) of the DoRA.

Revenue management

- 75. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.
- 76. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.

Asset management

77. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system, which accounts for the assets of the municipality, as required by section 63(2)(a) of the MFMA.
78. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register), as required by section 63(2)(c) of the MFMA.

INTERNAL CONTROL

79. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings arising from the audit of the annual performance report and the findings arising from the audit of compliance with laws and regulations included in this report.

• Leadership

Mohokare Local Municipality did not have sufficient monitoring controls to ensure adherence to the internal policies and procedures and for the purpose of taking corrective actions.

The occurrence of material irregular expenditure during the year under review indicates that integrity and ethical values were not developed and understood and did not set the standard for sound corporate governance.

The previous accounting officer did not take appropriate action to address the lack of discipline in the finance and SCM directorates, resulting in non-compliance with applicable legislation. This, in turn, resulted in irregular expenditure.

• Financial and performance management

Staff did not have a clear understanding of the SA Standards of GRAP and the municipality did not have adequate individuals competent in financial reporting and related matters.

The financial staff members of the municipality were not committed and skilled to ensure that the daily financial activities are fully and correctly recorded in the records of the municipality. Management did not ensure that adequate controls were in place to detect and correct errors in the financial records. As a result of this and a lack of oversight:

- (a) The amounts disclosed in the financial statements, general ledger and sub-ledgers differed.
- (b) Documents supporting amounts disclosed in the financial statements were not available or supplied without significant delay.
- (c) Matters reported in the prior report were not corrected.

The previous accounting officer did not regularly review and monitor management's compliance with laws, regulations and internally designed policies and procedures. As a result, significant non-compliance issues were noted that could have been prevented.

• Governance

The municipality has not undertaken a risk assessment to assess any risks of fraud and has consequently not developed a fraud prevention plan, as required by the MFMA.

Although the municipality has an internal audit division, it is not adequate for the purposes of the audit as it did not function as intended during the year under review.

The audit committee did not function throughout the year.

OTHER REPORTS

Investigations

80. Investigations are being conducted by independent consulting firms on request of the municipality and the premier's office. The investigations were initiated based on allegations of procurement irregularities. The investigations were still on going at the reporting date.

Bloemfontein

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

5.6.5.2.1. AUDIT ACTION PLAN 2010/2011 AUDIT REPORT

CATEGORY	FINDING	ACTION	RESPONSIBLE PERSON	EXPECTED OUTCOME
Consumer debtors	Supporting documentation for certain indigent consumers could not be submitted to determine whether the applicant qualifies for indigence and to determine the occurrence, accuracy and completeness of the subsidies credited to receivables for indigent consumers amounting to R1 612 628 (2010: R616 755).	Conduct an audit to identify indigent consumers without application forms and terminate their indigent status until new applications are received. Monies already expended on such indigents will be reported to Council as fruitless	Chief Financial Officer	31 March 2012
	I was not able to obtain sufficient appropriate audit evidence as to the existence of receivables amounting to R1 751 220 (2010: R1 292 819), as I could not obtain evidence that subsequent payments were made by the consumers or that consumers had payment agreements for receivables amounting to R1 751 220. The matter occurred due to the failure by management to assess the existence of consumer receivables at year-end.	Identify and investigate all debtors' accounts that show no movements in the account balances. Corrective action will be taken based on the recommendations of the investigation report.	Chief Financial Officer	31 March 2012
	A difference of R722 012 was noted between the account balance of trade and other receivables as per the debtor age analysis and the general ledger that could not be explained.	This matter will be investigated and corrected as part of the 2011/12 opening balances.	Chief Financial Officer	30 June 2012
	Furthermore, a difference of R2 231 098 was noted between the debtors system for bad debts written off for which council approval was obtained and the amount disclosed in note 12 to the financial statements. Contrary to the SA Standards of GRAP, GRAP 1, <i>Presentation of financial statements</i> , corresponding figures in respect of the aging of receivables were not disclosed in note 12 to the financial statements to achieve fair presentation.	This matter will be investigated and corrected as part of the 2011/12 opening balances.	Chief Financial Officer	30 June 2012
	Due to the lack of information, I was unable to perform reasonable alternative audit procedures to provide me with the required audit assurance with regard to receivables and bad debts written off. Consequently, I was unable to determine the valuation, completeness, existence, allocation and rights to consumer debtors of R9 780 253 (2010: R13 843 842), as disclosed in note 12 to the financial statements.	Measures have been implemented to ensure that the 2011/12 financial statements are accompanied by working paper file to give evidence of existence of receivables and any bad debts that might be written off.	Chief Financial Officer	30 June 2012

	The municipality did not assess	Measures have been	Chief Financial Officer	30 June 2012
	<p>the consumer receivables, individually or by category, for any indication that these assets may be impaired during the prior year. As disclosed in note 12 to the financial statements, the provision for doubtful debts for the prior year amounted to R45 661 073. The provision made for the prior year was a general provision and was not made in accordance with the above-mentioned standard. As no assessment of the receivables was performed and no alternative procedures could be performed, sufficient appropriate audit evidence to confirm the valuation of the provision for doubtful debts for the prior year of R45 661 073, as disclosed in note 12 to the financial statements could not be obtained.</p>	<p>implemented to ensure that impairment of consumer receivables is calculated for the 2011/12 financial year.</p>		
Value-added tax (VAT) receivable	<p>Management was unable to provide explanations or supporting documentation for the difference of R2 367 244 between the output VAT according to the general ledger and the returns, as well as for the difference of R2 879 176 between the input VAT according to the general ledger and the VAT returns for the year. Furthermore, management did not claim VAT on capital expenditure resulting in the understatement of the VAT receivable by R1 873 975 and the overstatement of property, plant and equipment with the said amount. This was due to the fact that payments were expensed against the municipal infrastructure grant suspense account without taking the VAT effect into consideration. The entity's records did not permit the performance of reasonable alternative audit procedures. Accordingly, I was not able to confirm the existence, valuation and completeness of the VAT receivable amounting to R6 528 332, as disclosed in the statement for financial position and note 11 to the financial statement.</p>	<p>After following tender processes, a service provider has been appointed to conduct a Vat review for 2009-2012 financial years.</p>	Chief Financial Officer	30 March 2011

Investment property	Title deeds of investment property amounting to R3 034 500 could not be provided for audit purposes.	Identify affected properties and obtain title deeds from the deeds office. This will be included under the permanent information on the working paper file.	Chief Financial Officer	30 April 2012
	Investment property register was incomplete as all property was not clearly defined, the location of the property was not clearly indicated and the investment property register could not be reconciled with the asset register.	Reconcile the investment property register to the asset register and ensure that the investment property register is complete in all material respects.		
Property, plant and equipment	GRAP 17, <i>Property plant and equipment</i> , requires the entity to identify and correctly classify assets between inventories, investment properties, property, plant and equipment and to recognise these assets using the principles in the Standards of GRAP. Contrary to this requirement and due to asset register that was not correctly updated and did not contain the required information to identify assets, I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment of R155 975 629 (2010: R168 770 562) included in the statement of financial position and note 6 to the financial statements. The entity's records did not permit the application of alternative audit procedures. Consequently, I was unable to determine the completeness, rights to and existence of property, plant and equipment.	The municipality will appoint a service provider by 28 February 2012 for the compilation of a GRAP compliant asset register. Matter to be investigated and corrected as part of the 2011/12 financial year.	Chief Financial Officer	30 June 2012

Trade and other payables	<p>I was unable to obtain sufficient appropriate audit evidence for trade and other payables of R21 500 208 (2010: R16 179 288), as disclosed in the statement of financial position and note 17 to the financial statements. Alternative procedures confirmed that payables are understated, but the amount of the understatement could not be practically determined due to a lack of reconciliations, supporting statements and invoices. Furthermore, IAS 39 (AC 133), <i>Financial instruments: Recognition and measurement</i> indicates that financial liabilities should, after initial recognition, be measured at amortised cost using the effective interest method. Contrary to the above, expenses which have deferred payment terms have not been discounted by the municipality. Long-term service awards were also not recognised as a liability as required in terms of IAS 19 (AC 116), <i>Employee benefits</i>. The municipality's system did not allow alternative procedures to practically</p>	<p>All transactions are now being recorded as and when they occur. Creditor's reconciliations are now being performed on a monthly basis.</p>	Chief Financial Officer	On-going – 30 June 2012
	<p>determine the impact of not applying GAAP as indicated on other account balances or classes of transactions. Consequently, I was unable to determine the existence, obligations of, completeness, valuation and allocation of trade and other payables.</p>			
Unspent conditional grants	<p>The municipality could not provide sufficient appropriate audit evidence to support the completeness, rights and obligations, existence, valuation and allocation of unspent conditional grants of R22 195 902 (2010: R10 688 892) disclosed in the statement of financial position and note 16 to the financial statements. Alternative audit procedures could not be performed due to the extent of the weakness identified and the fact that the municipality's records did not permit the application of alternative procedures. Consequently, I was not able to determine the completeness, obligations of, existence, valuation and allocation of unspent conditional grants.</p>	<p>The Municipal Manager and the Chief Financial Officer are currently engaging National Treasury to ensure that all the unspent grants are accounted for correctly.</p>	Chief Financial Officer	30 June 2012

Long- term liability	<p>No loan agreements could be obtained for the loan of R1 337 755 (2010: R1 462 597) from the electrical service provider, included under long-term liabilities in the statement of financial position and note 14 to the financial statements. Alternative procedures performed to obtain loan agreements were unsuccessful and the municipality's records did not permit the application of further alternative audit procedures regarding these loans. I was therefore unable to confirm the obligation of, existence and valuation of these loans. The disclosure of and calculation of the current portion of long-term liabilities could also not be confirmed due to the limitations identified above. This occurred as management did not implement recommendations and take steps to ensure loan agreements are obtained.</p>	<p>The Municipality is currently negotiating with CENTLEC with regards to the possibility of signing a new service level agreement.</p>	Municipal Manager	30 April 2012
Revenue	<p>I was unable to obtain sufficient appropriate audit evidence for service charges of R28 275 181 (2010: R25 302 341), government grants and subsidies of R68 189 764 (2010: R40 790 368), rental of facilities and equipment of R656 777 (2010: R399 594) and other</p>	<p>Service Charges: All meter reading records have been kept in a central place of custody to ensure that meter reading records are presented to the auditors upon request.</p>	Chief Financial Officer	30 June 2012
	<p>income of R1 135 008 (2010: R3 164 589), included in the total revenue of R101 750 443 (2010: R76 000 730 and disclosed in notes 19 to 22 to the financial statements. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did obtain all the information and explanations deemed necessary to determine the occurrence, completeness, accuracy, cut off and classification of revenue of R98 256 730 (2010: R69 656 892). This occurred due to the failure of management to perform and review reconciliations in respect electricity revenue, traffic fines and government grants and subsidies, to ensure accurate recording of transactions on the</p>	<p>Government Grants and Subsidies: A file has been prepared for grants and subsidies that contains allocations as per DoRA, equitable share allocation confirmation letters from the Treasury, and bank statements, and reconciliations of allocations made to monies received. With regard to conditional grants, business plans as submitted to Treasury and copies of expenditure vouchers are attached to prove that expenditure was incurred in line with grant conditions.</p>		

	accounting records. Furthermore, management did not ensure that adequate records and documentation were not available to support water revenue, rental of facilities and equipment and other income.	Rental of equipment and facilities: A listing of all municipal properties and facilities that are available for rental has been compiled and copies of rental agreements have been placed on the permanent file of the working paper file.		
	I was unable to obtain sufficient appropriate audit evidence as to the accuracy and completeness of property rates income of the prior year of R6 068 130. The entity's records did not permit the performance of reasonable alternative audit procedures. Consequently, I was unable to confirm the accuracy and completeness of property rates income for the prior year of R6 068 130 as disclosed in the statement of financial performance and note 18 to the financial statements.	Compile a property rates reconciliation for the 2011/12 to ensure that the valuation roll reconcile with the system.	Chief Financial Officer	30 June 2012
Expenditure	Sufficient supporting documentation for journals could not be provided by management for entries recorded against the expenditure accounts with an estimated projected value of R1 174 174 for the prior financial year. In the absence of journals attached with all the necessary supporting documents, the entity's records did not permit the application of alternative audit procedures. Accordingly, I was not able to confirm the	All expenditure vouchers from the 01 July 2011 - 31 December have been filled and are readily available for audit purposes.	Chief Financial Officer	On-going – 30 June 2012
	occurrence, accuracy and classification of these transactions for the prior year.			

	<p>The municipality could not provide sufficient appropriate audit evidence to support the occurrence of expenditure of R6 307 132 (2010: R2 927 538), which includes duplicate payments of R1 270 286 (2010: R1 377 102), duplicate recordings of R1 108 814 and expenditure of R357 575 recorded in the incorrect period. Furthermore, sufficient appropriate audit evidence was not available to support the occurrence, completeness, accuracy, cut off and classification of electricity bulk purchases of R16 136 859. The municipality's records did not permit the application of alternative procedures. Consequently, I was unable to determine the occurrence of expenditure of R6 307 132 (2010: R2 927 538), and the occurrence, completeness, accuracy and classification of expenditure of bulk electricity purchases of R16 136 859 included in the expenditure disclosed in the statement of financial performance.</p>		Chief Financial Officer	30 June 2012
Employee-related cost	<p>Adequate supporting documents for allowances and overtime paid could not be obtained for employee-related cost amounting to R1 066 733 (2010: R573 342). The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy, occurrence and classification of these expenses.</p>	Conduct an investigation to ensure that all allowances are paid in accordance with the Collective Agreement.	Chief Financial Officer	30 April 2012
	<p>Reconciliations were not performed between the amount for employment related cost (including remuneration for councillors) according to the payroll system and the amounts captured on the general ledger and disclosed in the financial statements during the prior year. An unexplained difference of R3 590 619 existed between the total employee related cost according to the payroll system (R20 468 056) and the amount captured in the general ledger and disclosed as employee related cost and remuneration for councillors (R24 058 675) for the prior year in the statement of financial</p>	Conduct an investigation to ensure that all allowances are paid in accordance with the Collective Agreement.	Chief Financial Officer	30 June 2012

	performance and notes 25 and 26 to the financial statements.			
Capital commitments	In the absence of a register for capital commitments, sufficient appropriate audit evidence for commitments approved and contracted of R2 346 453 (2010: R26 649 008) and commitments approved and not yet contracted of R12 407 994 (2010:R12 460 000), as disclosed in note 34 to the financial statements could not be obtained. In the absence of a commitment register there were no satisfactory alternative audit procedures that I could perform. Consequently, I was	Compile a commitments register and monitor it on a monthly basis. Commitments register will be compiled with effect from 1 February 2012.	Chief Financial Officer	31 January 2012
Irregular expenditure	Irregular expenditure of R25 093 393 (2010: R25 788 491) was identified during the audit that was incurred due to supply chain management (SCM) policy and SCM regulations, which were not adhered to. This irregular expenditure was not disclosed in note 43 to the financial	Management should ensure that we do not incur irregular expenditure; in instances where this expenditure is unavoidable it should be reported to council for condonement.	Chief Financial Officer	30 March 2012
Fruitless and wasteful expenditure	Fruitless and wasteful expenditure of R4 273 495 (2010: R834 8411) was identified during the audit that was not disclosed in note 42 to the financial statements, as required in terms of section		Chief Financial Officer	30 March 2012
Presentation and disclosure	Contrary to the requirements of section 15(2) (d) of the MFMA, the distribution loss from the water and electricity service, was not disclosed in the notes to the financial statements. Due to the lack of controls, information and reconciliations to calculate the distribution loss, alternative procedures could not be	All distribution losses will be disclosed in the 2011/12 financial statements.	Chief Financial Officer	30 June 2012

Cash flow statement	Due to the extent of the audit differences, together with the extensive limitation of scope on the audit as highlighted in the basis for disclaimer of opinion, I was unable to obtain sufficient appropriate audit evidence for amounts and disclosures included in the cash flow statement and notes thereto. As alternative procedures could not be performed, I was unable to practically quantify the misstatements in the cash flow	Cash flow statement will be prepared as part of the Annual Financial Statements	Chief Financial Officer	30 June 2012
	the information and explanations I consider necessary to satisfy myself as to the accuracy, completeness and presentation and disclosure of the cash flow statement and notes thereto.			
Going concern	According to the SA Standards of GRAP, GRAP 1, <i>Presentation of financial statements</i> , when preparing financial statements an assessment of an entity's ability to continue as a going concern shall be made. According to note 2.2 to the financial statements the financial statements have been prepared on the assumption that the municipality will continue as a going concern. The municipality, however, did not settle its debt within 30 days as required by the MFMA and is significantly dependent on the national and provincial governments for its continued sustainability. These conditions point to the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern. The municipality may	Cash flow plans prepared project that the Municipality will break- even by the 30 th of June 2012	Chief Financial Officer	On-going – 30 June 2012

ANNEXURE A:

**AUDITED ANNUAL
FINANCIAL STATEMENTS
2010/2011**

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	Local municipality
Council	
Mayor/ Speaker	M Shasha
Councillors	M Shasha
	R Thuhlo
	A Letele
	L Lekhula
	E Backward
	T Khasake
	B Majenge
	M Sehanka
	I Mehlophahle
	S Pokane
	I Riddle
Grading of local authority	2
Accounting Officer (Acting)	T Panyani
Chief Financial Officer (Acting)	S Moorosi
Registered office	Civic Center Hoofd Street Zastron 9950
Business address	Civic Center Hoofd Street Zastron 9950
Postal address	P O Box 20 Zastron 9950
Bankers	ABSA
Auditors	The Auditor - General: Free State

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

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IAS	International Accounting Standards Institute of
IMFO	Municipal Finance Officers International Public
IPSAS	Sector Accounting Standards
INEPG	Integrated National Electrification Programme Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act 56 of 2003
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

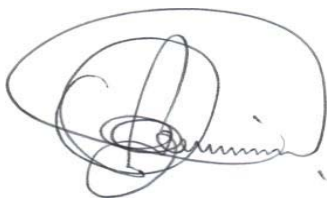
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on August 30, 2010 and were signed on its behalf by:

A handwritten signature in blue ink, consisting of a large, stylized 'D' followed by a series of loops and a horizontal line.

Accounting Officer
Thabo Panyani

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2011.

Audit committee members and attendance

The audit committee (which is a shared audit function) consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year 2 meetings were held.

Name of member	Number of meetings attended
G S Majola	2
K S Rapulungoane	2
V W Vapi	2
M Segalo	2

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Evaluation of annual financial statements

We have:

- ☐ Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the auditors;
- ☐ Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- ☐ Reviewed changes in accounting policies and practices;
- ☐ Reviewed the entities compliance with legal and regulatory provisions;
- ☐ Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Chairperson of the Audit Committee

Date:

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rands	Note(s)	2011	2010 - Restated
Assets			
Current Assets			
Trade and other receivables from exchange transactions	9	806,742	2,115,171
Other receivables from non-exchange transactions	10	10,215,500	9,975,141
VAT receivable	11	6,528,332	3,602,921
Consumer debtors	12	9,780,253	13,843,842
Cash and cash equivalents	13	396,235	289,781
		27,727,062	29,826,856
Non-Current Assets			
Biological assets	4	585,000	564,900
Investment property	5	29,404,500	880,853
Property, plant and equipment	6	155,975,629	168,770,562
		185,965,129	170,216,315
Non-Current Assets		185,965,129	170,216,315
Current Assets		27,727,062	29,826,856
Total Assets		213,692,191	200,043,171
Liabilities			
Current Liabilities			
Finance lease obligation	15	575,867	575,744
Trade and other payables from exchange transactions	17	21,500,208	16,179,288
Consumer deposits		68,563	141,708
Unspent conditional grants and receipts	16	22,195,902	10,688,892
Other liability - Short term portion		784,349	385,949
Bank overdraft	13	1,879,265	1,262,139
		47,004,154	29,233,720
Non-Current Liabilities			
Other financial liabilities	14	2,274,537	3,196,176
Finance lease obligation	15	1,060,690	1,622,137
		3,335,227	4,818,313
Non-Current Liabilities		3,335,227	4,818,313
Current Liabilities		47,004,154	29,233,720
Total Liabilities		50,339,381	34,052,033
Assets		213,692,191	200,043,171
Liabilities		(50,339,381)	(34,052,033)
Net Assets		163,352,810	165,991,138
Net Assets			

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rands	Note(s)	2011	2010
Accumulated surplus		<u>163,352,810</u>	<u>165,991,138</u>

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rands	Note(s)	2011	2010 - Restated
Revenue from exchange transactions			
Service charges	19	28,275,181	25,302,341
Rental of facilities and equipment	21	656,777	399,594
		28,931,958	25,701,935
Revenue from non-exchange transactions			
Property rates	18	3,213,229	6,068,130
Interest received (trading)		226,793	225,318
Public contributions and donations		20,580	-
Government grants & subsidies	20	68,189,764	40,790,368
		71,650,366	47,083,816
Administration and management fees received		42	-
Other income	22	1,135,008	3,164,589
Interest received - investment	27	31,336	45,186
Dividends received	27	1,733	5,204
Total income		101,750,443	76,000,730
Expenditure			
Personnel	25	(30,691,492)	(22,144,204)
Remuneration of councillors	26	(2,209,126)	(1,914,471)
Administration		-	(4,460)
Finance costs	28	(295,532)	(357,294)
Debt impairment	47	-	-
Repairs and maintenance		(12,421,479)	(1,481,896)
Bulk purchases			(11,891,849)
Grants and subsidies paid		(1,024,249)	(3,632,085)
General Expenses			(18,646,366)
	32	(16,136,859)	
		(4,155,906)	
)	
	23	(28,426,292)	
Total Expenditure		(95,360,935)	(60,072,625)
Revenue		101,750,443	76,000,730
Expenditure		(95,360,935)	(60,072,625)
Other		-	-
Surplus for the year	24	6,389,508	15,928,105

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rands	Accumulated surplus	Total net assets
Balance at 01 July 2009	(14,101,113)	(14,101,113)
Changes in net assets		
Centlec	183,367	183,367
Fleet capitalisation	25,701,376	25,701,376
Depreciation reversal (Directive 4)	140,914,926	140,914,926
Equitable share understatement	(3,302,837)	(3,302,837)
Asset not recognised in prior year and related VAT	13,262,568	13,262,568
Assets reconciliation adjustment	(12,648,762)	(12,648,762)
Other prior year adjustment net	53,508	53,508
Net income (losses) recognised directly in net assets	164,164,146	164,164,146
Surplus/(deficit) for the period	15,928,105	15,928,105
Total recognised income and expenses for the period	<u>180,092,251</u>	<u>180,092,251</u>
Total changes	(7,653,715)	(7,653,715)
Opening balance as previously reported	140,914,926	140,914,926
Adjustments	32,729,927	32,729,927
Prior year adjustment - Depreciation		
Other corrections of prior period error - net effect	165,991,138	165,991,138
Balance at 01 July 2010 as restated	(3,907,834)	(3,907,834)
Changes in net assets		
Centlec - net equity adjustment	28,523,647	28,523,647
Increase in fair value investment property	(8,021,756)	(8,021,756)
Overstatement of grant debtor adjustment	(13,263,569)	(13,263,569)
Capitalisation of prior year asset	(12,373,361)	(12,373,361)
MIG liability previously not recognised	15,037	15,037
Other adjustments directly in equity	(9,027,836)	(9,027,836)
Net income (losses) recognised directly in net assets	6,389,508	6,389,508
Surplus/(deficit) for the period	(2,638,328)	(2,638,328)
Total recognised income and expenses for the year	<u>(2,638,328)</u>	<u>(2,638,328)</u>
Total changes	163,352,810	163,352,810
Balance at 30 June 2011		

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Cash flow statement

Figures in Rands	Note(s)	2011	2010 - Restated
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and others		28,963,601	25,701,935
Grants		53,121,909	38,366,619
Interest income		31,336	45,186
Dividends received		1,733	5,204
Other receipts		686,096	-
		82,804,675	64,118,944
Payments			
Employee costs		(30,695,123)	(22,173,055)
Cash paid to suppliers and employees		(25,991,883)	(41,189,797)
Finance costs		(167,857)	(357,294)
		(56,854,863)	(63,720,146)
Total receipts		82,804,675	64,118,944
Total payments		(56,854,863)	(63,720,146)
Net cash flows from operating activities	33	25,949,812	398,798
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(13,509,364)	(44,023,296)
Proceeds from sale of property, plant and equipment	6	25,701,376	-
Non-cash item 2011: MIG liability adjustment 2010: (PPE finance lease)		(12,373,362)	25,701,375
Non-cash item (No proceeds received on disposal of PPE)		(25,701,375)	-
Non-cash items adjustments		(234,607)	11,121,540
Net cash flows from investing activities		(26,117,332)	(7,200,381)
Cash flows from financing activities			
Repayment of other financial liabilities		(921,639)	3,196,176
Movement in deferred revenue (payables from non-exchange transactions)		398,400	385,949
Finance lease payments		(688,999)	2,197,881
Finance lease receipts - Error in double counting		869,086	-
Net cash flows from financing activities		(343,152)	5,780,006
Net increase/(decrease) in cash and cash equivalents		(510,672)	(1,021,577)
Cash and cash equivalents at the beginning of the year		(972,358)	49,219
Cash and cash equivalents at the end of the year	13	(1,483,030)	(972,358)

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Reporting municipality

Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. Its principal activities and the address of its principal place of business are disclosed under "General Information" in the annual report.

2. Presentation of annual financial statements

2.1 Statement of compliance

The annual financial statements have been prepared in compliance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been compiled in accordance with the Municipal Finance Management Act 56 of 2003.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The following significant accounting policies had been applied consistently during the current and previous reporting period except to the extent that a transitional provision, as set out in note 2.6 has been applied.

2.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next twelve months.

2.3 Functional and presentation currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

2.4 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.5 Use of estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 2.23.

2.6 Property, plant and equipment

The policy set out below has been applied only to the extent that the requirement is not covered by the relevant transitional provision explained in this note below.

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Initial recognition and measurement

Property, plant and equipment are measured at cost. This cost is the provisional value of the property, plant and equipment until the municipality complies no longer applies Directive 4.

Land and buildings are measured at revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets, the cost of the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset given up.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When the use of a property changes from owner-occupied to investment property carried at fair value using the fair value model, the property is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is treated in the same way as a revaluation in terms of GRAP 17 as follows:

- ☐ any resulting decrease in the carrying amount of the property is recognised in surplus or deficit. However, to the extent that an amount is included in a revaluation surplus for that property, the decrease is charged against that revaluation surplus.

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.6 Property, plant and equipment (continued)

- ☐ any resulting increase in the carrying amount is treated as follows:
- ☐ to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in surplus or deficit. The amount recognised in surplus or deficit does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised.
- ☐ any remaining part of the increase is credited directly to the revaluation surplus in net assets. On subsequent disposal of the investment property, the revaluation surplus included in net assets may be transferred to accumulated surpluses or deficits. The transfer from revaluation surplus to accumulated surpluses or deficits is not made through surplus or deficit.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The revaluation surplus relating to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Subsequent cost

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

Rehabilitation costs capitalised to the cost of landfill sites are written off on a straight-line basis over the estimated useful lives of the sites.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The useful lives for the current and previous financial year are as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	5 years
Furniture and fixtures	7 years
Motor vehicles	5 years

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2.6 Property, plant and equipment (continued)

Office equipment	3 years
IT equipment	3 years
Computer software	3 years
Infrastructure	
<input type="checkbox"/> Electricity	20 years
<input type="checkbox"/> Roads and paving	15 years
<input type="checkbox"/> Water	20 years
<input type="checkbox"/> Sewerage	20 years
<input type="checkbox"/> Stormwater drains	20 years
Other assets	
<input type="checkbox"/> Computer equipment	3 years
<input type="checkbox"/> Furniture and fittings	6 years
<input type="checkbox"/> Other assets	10 years
Communication equipment	5 years
Investment property	30 years
Leased Assets	
<input type="checkbox"/> Office equipment	Lease term
Tools and loose gear	5 years

Spare parts

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other revenue in surplus or deficit.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of

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2.6 Property, plant and equipment (continued)

property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2008. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 6. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality has accordingly recognised property, plant and equipment at provisional amounts, as disclosed in note 6.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- ☐ Presentation of Financial Statements (GRAP 1),
- ☐ The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- ☐ Leases (GRAP 13),
- ☐ Segment Reporting (GRAP 18),
- ☐ Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

2.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, rather than for:

- ☐ use in the production or supply of goods or services or for
- ☐ administrative purposes, or
- ☐ sale in the ordinary course of business.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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Accounting Policies

2.7 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Property interests held by the municipality (lessee) under an operating lease are accounted for as investment property only if the property meets the definition of an investment property and the lessee uses the fair value model as required by paragraph 6 of GRAP 16.

The initial cost of a property interest held under a lease classified as an investment property, shall be recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

The fair value of investment properties is determined at the reporting date by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuations are based on the value of similar properties in the market.

Fair value

Investment property is subsequently measured at fair value with any change therein recognised in surplus or deficit.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit in the period of retirement or disposal.

2.8 Biological assets

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

2.9 Financial instruments Classification

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Accounting Policies

2.9 Financial instruments (continued)

The municipality classifies financial instruments, or their component parts, on initial recognition as financial assets, a financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

- ☐ Financial assets at fair value through surplus or deficit - held for trading
- ☐ Financial assets at fair value through surplus or deficit - designated
- ☐ Held-to-maturity investment
- ☐ Loans and receivables
- ☐ Available-for-sale financial assets
- ☐ Financial liabilities at fair value through surplus or deficit - held for trading
- ☐ Financial liabilities at fair value through surplus or deficit - designated
- ☐ Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- ☐ in rare circumstances
- ☐ if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Non-derivative financial assets

The municipality initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

The municipality has the following classes and categories of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class of financial asset	IAS 39 category
Investments in fixed deposits (banking institutions, etc)	Held-to-maturity

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Accounting Policies

2.9 Financial instruments (continued)

Trade and other receivables from exchange transactions (consumer debtors)	Loans and receivables
Short-term investment deposits	Held-to-maturity
Cash and cash equivalents	Loans and receivables
Unlisted shares (in 'Other financial assets')	Fair value through profit or loss

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- ☐ They are classified as held for trading; or
- ☐ Upon initial recognition they are designated as at fair value through profit or loss.

Financial assets are designated as at fair value through profit or loss if the municipality manages such investments and makes purchase and sale decisions based on their fair value in accordance with the municipality's documented risk management or investment strategy.

Financial assets at fair value through profit or loss are measured initially and subsequently at fair value and gains and losses arising from changes in fair value are recognised in surplus or deficit for the period. Transaction costs are recognised in surplus or deficit.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment losses.

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity. Held-to-maturity investments are initially recognised at fair value plus direct transaction costs. At subsequent reporting dates, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale,

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Accounting Policies

2.9 Financial instruments (continued)

and prevent the municipality from classifying investment securities as held-to-maturity for the current and the following two financial years.

Non-derivative financial liabilities

The municipality initially recognises financial liabilities, including liabilities designated at fair value through surplus or deficit, on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

The municipality has the following classes of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- ☐ Loans and borrowings
- ☐ Trade and other payables from exchange transactions
- ☐ Bank overdraft
- ☐ Current portion of loans and borrowings
- ☐ Consumer deposits

The above financial liabilities form part of the “other financial liabilities carried at amortised cost” category per IAS 39 and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Financial guarantee contracts

Financial guarantees are contracts that require the municipality to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee becomes probable. Financial guarantees are included in other liabilities.

The municipality does not account for financial guarantee contracts under IFRS 4 *Insurance Contracts*.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid

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Accounting Policies

2.9 Financial instruments (continued)

investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

2.10 Inventories

Cost

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- ☐ distribution at no charge or for a nominal charge; or
- ☐ consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Unsold properties are measured at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down to net realisable value and sold by public auction.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water inventory represents water housed in dams within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

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2.10 Inventories (continued)

The water levels in the dams are based on cubic meter capacity taking into account the capacity of the dam, based on land surveying reports and the curve of the dam.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

The municipality applies Directive 4 for the measurement of water inventory.

2.11 Impairment

Financial assets

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment.

The municipality considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

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2.11 Impairment (continued)

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in net assets, and presented in the fair value reserve, to surplus or deficit. The cumulative loss that is removed from the fair value reserve and recognised in surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in surplus or deficit. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in surplus or deficit, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in net assets.

Impairment losses are not subsequently reversed for equity instruments which are carried at cost because fair value was not determinable.

Non-financial assets

Cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

The carrying amounts of the municipality's cash generating non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually.

If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of impairment testing, assets are therefore grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit.

Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit. The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below the highest of its fair value less costs to sell, value in use and zero.

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2.11 Impairment (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of its recoverable amount the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The carrying amounts of the municipality's non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach - The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount. Impairment losses are recognised in surplus or deficit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable service amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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2.12 Revenue

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

Revenue from exchange transactions

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Services

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable and service revenue.

Service revenue is recognised by reference to the stage of completion of transaction at reporting date.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- ☐ the amount of revenue can be measured reliably;
- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ☐ the stage of completion of the transaction at the reporting date can be measured reliably; and
- ☐ the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in

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Accounting Policies

Revenue from exchange transactions (continued)

the invoicing period. Estimates of consumption between meter readings are based on the average consumption of the past 3 months before the month being assessed.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Interest, royalties and dividends

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Dividends

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Other

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Agency commission

Commission for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

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Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

Sale of goods can include among others sale of land, sale of gravel, tender documents etc.

Revenue from non-exchange transactions

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Rates and taxes

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Receipt of community services in exchange for a fine is not recognised as revenue.

Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

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Accounting Policies

Revenue from non-exchange transactions (continued)

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability

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Accounting Policies

Revenue from non-exchange transactions (continued)

recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied or, if the tax is levied on a periodic basis, the period for which the tax is levied.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Fines

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Revenue from non-exchange transactions (continued)

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in its capacity of an agent, the fine is not recognised as revenue.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

2.13 Provisions

A provision is recognised if, as a result of a past event, the municipality has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Site restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

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2.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

Termination benefits

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

2.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - municipality as lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The

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Accounting Policies

2.15 Leases (continued)

corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependant on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - municipality as lessee

Operating lease payments are recognised in surplus or deficit on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance leases - municipality as lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Operating leases - municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Finance sale and leaseback

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Accounting Policies

2.15 Leases (continued)

Where the sale and leaseback results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not recognised immediately as revenue in the annual financial statements of the seller – lessee. The excess amount is deferred and amortised over the lease term.

Operating sale and leaseback

Where the sale and leaseback results in an operating lease and the transactions is accounted for as follows:

- ☐ If the transaction is concluded at fair value, any gain or loss is recognised immediately.
- ☐ If the sale price is below fair value, any gain or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.
- ☐ If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

2.16 Borrowing costs

Borrowing costs are capitalised in respect of qualifying assets that necessarily take a substantial period to get ready for their intended use.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

2.17 Donations and grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ☐ Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ☐ Expect to be repaid in future; or
- ☐ Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

2.18 Tax

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Accounting Policies

2.18 Tax (continued)

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

2.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003) as defined in chapter of the said Act. Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Refer to note 41

2.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies as defined in chapter 1 of the Municipal Finance Management Act (Act 56 of 2003). Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable. Refer to note 43.

2.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised as defined in chapter 1 of the Municipal Finance Management Act (Act 56 of 2003). Fruitless and wasteful expenditure is accounted for as a receivable in the statement of financial position until such expenditure is recovered or written off as irrecoverable. Refer to note 42.

2.22 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in note 38.

Where accounting errors have been identified and/or, there has been a change in accounting policy in the current year, corrections and adjustments are made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The nature and amounts of restatements as well as the reasons are disclosed in note 37

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Accounting Policies

2.23 Accounting estimates and judgements

General

The municipality's accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Impairment of trade and other receivables

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the requirements of IAS 39. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

Provisions

The provisions raised by the municipality are detailed in note . These provisions represent management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Fair value estimation

The fair value information presented by the municipality in note 7 requires the application of valuation techniques and assumptions based on market conditions existing at the end of the reporting period. The actual fair values may differ from those estimated.

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Critical judgements in applying accounting policies

Identification of impairment indicators

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of

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Accounting Policies

2.23 Accounting estimates and judgements (continued)

services and other circumstances that could indicate that impairment exists. The municipality applies the impairment assessment to its assets or separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

2.24 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.1 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note Appendices E1 and E2.

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Notes to the Annual Financial Statements

Figures in Rands	2011	2010
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3.New standards and interpretations

3.1 Standards issued and not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective:

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown. International Financial Reporting Standards will be applied from the effective date of the Standard as indicated below.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 24: Presentation of Budget Information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- ☐ the approved and final budget amounts;
- ☐ the actual amounts on a comparable basis; and
- ☐ by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted

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3. New standards and interpretations (continued)

to be comparable to the budget.

The impact of the standard is not material.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality has adopted the interpretation for the first time in the 2011 annual financial statements.

The impact of the interpretation is set out in note Changes in Accounting Policy.

IAS 39: Financial Instruments: Recognition and Measurement - Amendment - Treating loan prepayment facilities as closely related embedded derivatives

The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated. If an exercise price of an embedded prepayment option reimburses the lender for an amount not exceeding the approximate present value of the lost interest for the remaining term of the host contract, then the economic characteristics and risks of the prepayment option embedded in a host debt or host insurance contract are closely related to the host contract and the embedded derivative is not separated from the host contract.

The amendments are to be applied prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2011.

The impact of the is set out in note Changes in Accounting Policy.

IFRS 7: Financial Instruments: Disclosures - Amendments to disclosures

IFRS 7 is amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

The existing disclosure requirements of IFRS 7 are amended as follows:

- ☐ IFRS 7 is amended to state that clarification that disclosure of the amount that best represents an

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.

- ☐ Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. An example of such disclosure is quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancements obtained. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.
- ☐ IFRS 7 is amended to state that clarification that disclosure in respect of collateral taken possession off by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

- ☐ Disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated.
- ☐ Disclosure of a the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

Additionally, the clause stating that quantitative disclosures are not required when a risk is not material has been removed from IFRS 7. The general materiality considerations continue to apply to all disclosures required by IFRS 7 in the same way as they apply to other IFRSs.

The amended is effective for annual periods beginning on or after 1 January 2011.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2012.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

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Figures in Rands	2011	2010
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4. Biological assets

Biological assets where fair value cannot be measured reliably

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Biological assets - Cattle	585,000	-	585,000	564,900	-	564,900

Reconciliation of biological assets - 2011

	Opening balance	Net movement	Total
Biological assets - Cattle	564,90	20,100	585,000
	0		

Reconciliation of biological assets - 2010

	Opening balance	Total
Biological assets - Cattle	564,900	564,900

Non - Financial information

Quantities of each biological asset

Biological assets - Cattle	117	112
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Council keeps the biological assets for purposes of slaughtering during important functions for the Mohokare local municipality communities. The change in the number of cattle is due to the slaughtering, sale or losses as a result of theft.

Assets carried at cost less accumulated depreciation and impairment losses

The cattle are carried at an estimated fair values.

Fair values are usually determined at public auctions where the cattle are sold. For purposes of record keeping, the cattle are currently carried at the value at which they could be sold currently in arms length transaction.

The estimated fair value of cattle is R 5,000.00.

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Figures in Rands	2011	2010
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5. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	n			n		
Investment property	29,404,500	-	29,404,500	880,853	-	880,853

Reconciliation of investment property - 2011

	Opening balance	Fair value adjustments	Total
Investment property	880,853	28,523,647	29,404,500

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	880,853	880,853

Pledged as security

No investment property was pledged as security for loans at year end.

The fair value of the investment property is determined with reference to the latest available valuation roll of the municipality as compiled by an independent valuer. The significant increase related to the increase in value of the property.

Investment property in the previous year was incorrectly disclosed as property, plant and equipment. This is prior period error (Refer note 37). The investment property was also correctly valued for the first time in the current year and as result a fair value gain was also recognised in the statement of changes in net assets. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Figures in Rands 2011 2010

6. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Buildings	1,490,059	-	1,490,059	1,490,059	-	1,490,059
Furniture and fixtures	1,002,706	-	1,002,706	1,002,706	-	1,002,706
Motor vehicles	3,691,187	-	3,691,187	28,710,869	-	28,710,869
Office equipment	2,101,559	-	2,101,559	2,101,559	-	2,101,559
Infrastructure	23,271,283	-	23,271,283	23,271,282	-	23,271,282
Community	2,690,390	-	2,690,390	2,690,390	-	2,690,390
Other property, plant and equipment	24,518	-	24,518	24,518	-	24,518
Other equipment	19,790,250	-	19,790,250	19,787,830	-	19,787,830
Bins and containers	1,232	-	1,232	1,232	-	1,232
Capital work in progress	12,222,328	-	12,222,328	-	-	-
Wastewater network	39,453,035	-	39,453,035	39,453,035	-	39,453,035
Water network	50,228,937	-	50,228,937	50,228,937	-	50,228,937
Heritage	8,145	-	8,145	8,145	-	8,145
Total	155,975,629	-	155,975,629	168,770,562	-	168,770,562

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Total
Buildings	1,490,059	-	-	1,490,059
Furniture and fixtures	1,002,706	-	-	1,002,706
Motor vehicles	28,710,869	681,694	(25,701,376)	3,691,187
Office equipment	2,101,559	-	-	2,101,559
Infrastructure	22,665,941	605,342	-	23,271,283
Community	2,690,390	-	-	2,690,390
Other property, plant and equipment	24,518	-	-	24,518
Other equipment	19,787,830	-	-	19,787,830
Bins and containers	1,232	-	-	1,232
Capital work in progress	-	12,222,328	-	12,222,328
Wastewater network	39,453,035	-	-	39,453,035
Water network	50,228,937	-	-	50,228,937
Heritage	8,145	-	-	8,145
	168,165,221	13,509,364	(25,701,376)	155,973,209

Mohokare Local Municipality

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Figures in Rands	2011	2010
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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Prior period error	Total
Buildings	3,129,289	-	(1,639,230)	1,490,059
Furniture and fixtures	38,033	-	964,673	1,002,706
Motor vehicles	2,149,929	26,859,945	(299,005)	28,710,869
Office equipment	830,742	-	1,270,817	2,101,559
Infrastructure	605,757	16,947,821	5,112,363	22,665,941
Community	2,036,285	-	654,106	2,690,391
Other property, plant and equipment	250,423	205,81	(431,724)	24,518
Other equipment	68,143,748	-	(48,355,918)	19,787,830
Bins and containers	325,080	-	(323,848)	1,232
Wastewater network	1,119,328	-	38,333,707	39,453,035
Water network	47,993,392	9,711	2,225,834	50,228,937
Heritage	10,168,678	-	(10,160,533)	8,145
	136,790,684	44,023,296	(12,648,758)	168,165,222

Transitional provisions

Property, plant and equipment recognised at provisional amounts

Directive 4

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note , certain property, plant and equipment with a carrying value of R 145,010,910 (2010: R 143,514,291) was recognised at provisional amounts.

The municipality has changed the presentation of property, plant and equipment from the previous year in order to comply with GRAP 17. This is not a change in policy as the municipality had already adopted GRAP 17 but is corrected as a prior period error. In addition, the municipality has reclassified all land held from property, plant and equipment to investment property in accordance with GRAP 16.

The municipality is still using the transitional provisions in Directive 4 to value the property, plant and equipment. Therefore, the property, plant and equipment is stated at cost and not depreciated.

The municipality is in the process of appointing a service provider to develop a register containing the information required by section 63 of the Municipal Finance Management Act which will be made available for inspection at the registered office of the municipality.

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Figures in Rands	2011	2010
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7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Total
Trade and other receivables	11,021,742	11,021,742
Cash and cash equivalents	396,235	396,235
Consumer debtors	9,780,255	9,780,255
	21,198,23	21,198,232
	2	

2010

	Loans and receivables	Total
Trade and other receivables	12,090,312	12,090,312
Cash and cash equivalents	289,781	289,781
Consumer debtors	13,843,842	13,843,842
	26,223,935	26,223,935
	26,223,935	

8. Inventories

In the prior year inventories were overstated by an amount of R 564,900 which should have been disclosed as Biological Assets. This error has been corrected in the current year (Refer note 38).

In the current year inventory consists of water which has been treated and is the municipalities' reservoirs at year end. This inventory is measured at a provisional value of zero based on Directive 4.

The municipality does not hold stock of consumables and these are subsequently expensed when purchased. However, the municipality has been storing pipes, valves and other small water infrastructure related consumables (purchased during 2007 financial year) the value of which is not certain. These have been recognised at a provisional value of zero until correctly valued. A list of these items is available at the municipality's administration office.

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Figures in Rands	2011	2010
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9. Trade and other receivables from exchange transactions

Sundry debtors	806,742	2,115,171
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The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The municipality does not hold any collateral as security.

10. Other receivables from non-exchange transactions

Government grants and subsidies	10,215,500	9,975,141
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11. VAT receivable

VAT receivable	6,528,332	3,602,921
----------------	-----------	-----------

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

The SARS is currently finalising the VAT audit for the municipality and therefore no VAT receipts or payments made during the current financial year.

12. Consumer debtors

Gross balances

Rates	8,715,498	10,378,842
Electricity	591,781	475,706
Water	17,812,638	22,857,542
Sewerage	17,737,357	20,566,932
Refuse	6,526,921	4,875,946
Housing rental	561,446	345,722
Other (specify)	1,459	4,225
	51,947,100	59,504,915

Less: Provision for debt impairment

Electricity	(577,206)	(466,707)
Water	(17,373,928)	(21,233,799)
Sewerage	(17,300,501)	(19,105,908)
Refuse	(6,366,169)	(4,529,571)
Housing rental	(547,618)	(321,163)
Other (specify)	(1,423)	(3,924)
	(42,166,845)	(45,661,072)

Net balance

Rates	8,715,498	10,378,842
Electricity	14,575	8,999

Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rands

2011

12. Consumer debtors (continued)

Water	438,709	
Sewerage	436,855	
Refuse	160,752	
Housing rental	13,828	
Other (specify)		36
	9,780,253	

Rates

Current (0 -30 days)	24,348
31 - 60 days	24,075
61 - 90 days	28,522
91 - 120 days	85,472
121 - 365 days	8,758,329
	8,715,498

Electricity

61 - 90 days		-
121+ days		-
> 365 days	14,575	
	14,575	

Water

Current (0 -30 days)	438,710	
31 - 60 days		-
61 - 90 days		-
	438,710	

Sewerage

Current (0 -30 days)	294,388	
31 - 60 days	142,468	
61 - 90 days		-
91 - 120 days		-
	436,856	

Refuse

Current (0 -30 days)	160,752	
31 - 60 days		-
	160,752	

Housing rental

Current (0 -30 days)	13,827
----------------------	--------

		6	360
		<u>7</u>	<u>429,364</u>
		5	1,190,102
		<u>,</u>	<u></u>
		9	
		7	
2010		5	172,757
		1	173,618
		<u>,</u>	<u>346,375</u>
	1,623,743	<u>6</u>	<u></u>
	1,461,024	4	
	346,375	8	
	24,559	<u>,</u>	<u>24,559</u>
	<u>300</u>	<u>5</u>	<u></u>
	13,843,842	<u>3</u>	<u></u>
		<u>7</u>	<u></u>
	52,870	2	
	149,134	9	
	127,108	0	
	-	,	
	10,049,730	0	
	10,378,842	<u>0</u>	<u></u>
		<u>2</u>	<u></u>
		2	
		4	
	100	7	
	46,707	,	
	208,319	3	
	255,126	<u>7</u>	<u></u>
		<u>6</u>	<u></u>
		2	
		2	
	495,653	3	
	476,909	,	

Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rands	2011	2010
12. Consumer debtors (continued)		
Other (specify)		
Current (0 -30 days)	36	301
Summary of debtors by customer classification		
Consumers/Households		
Current (0 -30 days)	1,034,351	-
31 - 60 days	1,331,186	-
61 - 90 days	1,010,020	-
91 - 120 days	1,027,512	-
121 - 365 days	7,170,000	-
> 365 days	37,475,783	-
	49,048,852	-
Industrial/ commercial		
Current (0 -30 days)	30,374	-
31 - 60 days	31,012	-
61 - 90 days	27,961	-
91 - 120 days	95,644	-
121 - 365 days	683,660	-
> 365 days	1,405,650	-
	2,274,301	-
National and provincial government		
Current (0 -30 days)	8,143	-
31 - 60 days	10,470	-
61 - 90 days	9,670	-
91 - 120 days	3,391	-
121 - 365 days	44,098	-
> 365 days	548,175	-
	623,947	-
Reconciliation of debt impairment provision		
Balance at beginning of the year	(45,661,073)	(45,636,278)

Contributions to provision	(12,421,479)	(24,795)
Debt impairment written off against provision	8,146,803	-
Possible write-off awaiting council approval	7,768,902	-

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Figures in Rands	2011	2010
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12. Consumer debtors (continued)

(42,166,847) (45,661,073)

The impairment provision of the previous year was not performed as required and it is impractical to retrospectively adjust the impairment provision figures. The amounts disclosed in the above note for the previous year are therefore not verified.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,180	1,180
Short-term deposits	299,229	268,299
Other cash and cash equivalents	95,826	20,302
Bank overdraft	(1,879,265)	(1,262,139)
	(1,483,030)	(972,358)
Current assets	396,235	289,781
Current liabilities	(1,879,265)	(1,262,139)
	(1,483,030)	(972,358)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Cash and cash equivalents pledged as security

Total financial assets pledged as security (ABSA Bank account - 1014355924)	20,000	20,000
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The municipality had the following bank accounts

Account number / description	ABSA Bank - Savings account - 2810000018
ABSA Bank - Savings account - 4052654487	First National Bank - Savings account - 53593549308
Standard Bank - Savings account - 041952766	

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Balances			Cash book balances		
30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
193,464	358,584	578,025	(2,091,740)	(1,494,654)	(1,485,500)
107,085	69,518	585,463	107,085	70,926	585,463
18,052	69,518	516,628	18,052	91,780	516,628
87,327	69,809	431,448	87,328	69,809	431,448

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Notes to the Annual Financial Statements

Figures in Rands					2011	2010
13. Cash and cash equivalents (continued)						
ABSA Bank - Call acc	88,840	-	-	88,840	85,842	81,975
1014355924						
ABSA Bank - Call acc	278	-	-	278	273	268
6074357138						
ABSA Bank - Call acc	1,634	-	-	1,628	1,695	1,754
9074133593						
ABSA Bank - Call acc	34,770	-	-	31,640	5,375	2,243,465
9086343532						
FNB Call acc	56,190	-	-	56,190	54,461	52,111
72359004546						
Old mutual flexi save	120,563	-	-	120,653	120,653	120,653
OVK Holding shares	33,651	-	-	33,651	10,354	20,330
OVK Operation shares	62,175	-	-	62,175	9,948	3,616
Petty Cash	1,180	-	-	1,180	569,881	1,180
Total	805,209	567,429	2,111,564	(1,483,040)	(403,657)	2,573,391
14. Other financial liabilities						
Measured at amortised cost						
Other loans					2,274,537	3,196,176
					-	-
					2,274,537	3,196,176
Non-current liabilities						
At amortised cost					2,274,537	3,196,176
					2,274,537	3,196,176
					-	-

The fair values of the financial liabilities measured at amortised cost based on current contracts and any special arrangements made for repayment.

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Figures in Rands	2011	2010
15. Finance lease obligation		
Minimum lease payments due		
- within one year	575,867	575,744
- in second to fifth year inclusive	1,060,690	1,622,137
	1,636,557	2,197,881
less: future finance charges	(200,040)	(325,838)
Present value of minimum lease payments	1,436,517	1,872,043
Present value of minimum lease payments due		
- within one year	467,380	448,069
- in second to fifth year inclusive	969,137	1,423,974
	1,436,517	1,872,043
Non-current liabilities	1,060,690	1,622,137
Current liabilities	575,867	575,744
	1,636,557	2,197,881

It is municipality's policy to lease certain office equipment under finance leases.

The average lease term is 3 - 5 years and the average effective borrowing rate was 10% (2010: 11%).

Interest rates are fixed at the contract date. Two of the three lease contractss escalate at 15% p.a and no arrangements have been entered into for contingent rent. The other lease contract has no escalation.

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Figures in Rands	2011	2010
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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Draught relief	1,352,069	1,352,069
Spatial Development	2,220,000	2,220,000
Prov Grant	176,085	176,085
Prov Grant - Rouxville water	92,818	92,818
Prov Grant - Salary Managers	2,208,424	2,208,424
Prov Grant - Sal Temp Worker	527,275	527,275
PHP Housing	1,846,795	1,846,795
MSIG	31,183	31,813
MIG	12,487,503	1,323,698
DWAF	343,835	-
Prov Grant - Elec	909,915	909,915
	22,195,902	10,688,892

Movement during the year

Balance at the beginning of the year	8,583,408	13,397,280
Received during the year	49,617,609	26,435,201
Income recognition during the year	(25,168,130)	(31,249,073)
	22,195,902	10,688,892

See note 20 for the reconciliation of other grants from National/Provincial Government.

17. Trade and other payables from exchange transactions

Trade payables	12,133,518	6,405,923
Payments received in advance (Consumer accounts in credit)	205,248	-
Accrued leave pay	3,023,637	1,495,528
Accrued bonus	689,433	569,243
Unreconciled VAT account (R 5m), Salary cotnrol account (R 500k)	5,448,372	7,708,594
	21,500,208	16,179,288

The balance of R 5,1 million represents two or more prior year's balance on the municipal accounting records. None of the VAT votes have been adjusted due to the SARS audit to be completed.

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Notes to the Annual Financial Statements

Figures in Rands	2011	2010
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18. Property rates

Rates received

Residential	2,673,458	4,276,209
Commercial	394,657	(668,177)
State	281,964	1,791,921
Small holdings and farms	2,712,828	668,177
Less: Income forgone	(2,849,678)	-
	3,213,229	6,068,130

19. Service charges

Sale of electricity	12,040,738	12,001,430
Sale of water	6,719,753	5,465,360
Sewerage and sanitation charges	5,727,712	4,708,594
Refuse removal	3,786,978	3,126,957
	28,275,181	25,302,341

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Figures in Rands	2011	2010
20. Government grants and subsidies		
Equitable share	43,055,676	40,790,368
GOGTA Grant	10,020,210	-
MIG	13,113,878	-
FMG	1,250,000	-
MSIG	750,000	-
	68,189,764	40,790,368

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is credited to their accounts.

Draught Relief

Balance unspent at beginning of year	1,352,069	1,352,069
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This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

Spatial Development

Balance unspent at beginning of year	2,220,000	2,220,000
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This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

Provincial Grant

Balance unspent at beginning of year	176,085	176,085
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This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

Prov Grant - Rouxville water

Balance unspent at beginning of year	92,818	92,818
--------------------------------------	--------	--------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

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Figures in Rands	2011	2010
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20. Government grants and subsidies (continued)

Prov Grant - Salary Managers

Balance unspent at beginning of year	2,208,424	2,208,424
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This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past two financial years.

Prov Grant - Salary Temp Worker

Balance unspent at beginning of year	527,275	527,275
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This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past two financial years.

PHP Housing

Balance unspent at beginning of year	1,846,795	1,846,795
--------------------------------------	-----------	-----------

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years.

MSIG

Balance unspent at beginning of year	31,813	31,813
Current-year receipts	750,000	-
Conditions met - transferred to revenue	(750,630)	-
	31,183	31,813

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

The municipality used the grant to discharge its duties with regards to compliance matters, assisted where possible by external consultants. The above balance of R 31,183 is currently being investigated and will be written off with the permission of funders as it resulted in prior year misapplication of accounting policies. This will be reported as an prior period error once permission is obtained.

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Figures in Rands	2011	2010
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20. Government grants and subsidies (continued)

MIG

Balance unspent at beginning of year	1,323,698	(1,423,339)
Current-year receipts	(12,913,000)	(15,587,283)
Conditions met - transferred to revenue	13,839,865	2,818,889
Expenses incurred but assets not ready for use	10,236,940	15,515,431
	12,487,503	1,323,698

Conditions still to be met - remain liabilities (see note 16)

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Included in the unspent MIG Grant are retention monies and suretyship withheld from various projects financed by MIG.

INEPG - Elec - Phomolong & Somido

Conditions still to be met - remain liabilities (see note 16)

The grant is used to implement the Programme by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

FMG

Balance unspent at beginning of year	-	75,220
Current-year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,250,000)	(1,075,220)
	-	-

Conditions still to be met - remain liabilities (see note 16)

The grant is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.

Mohokare Local Municipality

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Notes to the Annual Financial Statements

Figures in Rands	2011	2010
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20. Government grants and subsidies (continued)

DWAF

Balance unspent at beginning of year	-	656,173
Current-year receipts	2,466,029	-
Conditions met - transferred to revenue	(2,122,194)	-
Other	-	(656,173)
	343,835	-

This grant emanates from prior financial years and the municipality is in the process of confirming the existence of a liability to the funders of the grant. Currently no evidence supports the possibility of repayment of the grant, hence no movement in the balance over the past three financial years

Provincial Grant - Elec

Balance unspent at beginning of year	909,915	909,915
Conditions still to be met - remain liabilities (see note 16)		

21. Rental of facilities and equipment

Rental of equipment	656,777	399,594
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22. Other income

Sundry Income	1,135,008	3,164,589
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Other income includes, sale of tender documents, refunds and auction sales.

Mohokare Local Municipality

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Figures in Rands	2011	2010
23. General expenses		
Advertising	441,774	225,854
Animal Costs	3,168	4,246
Auditors remuneration	2,175,075	2,159,013
Bank charges	1,047,581	172,732
Chemicals	961,832	1,655,266
Cleaning	112,049	152,481
Computer expenses	108,114	117,865
Pauper burials	18,826	604,338
Consulting and professional fees	5,412,455	5,899,055
Consumables	83,566	21,852
Entertainment	142,282	91,733
Special programmes	536,645	567,750
Fines and penalties	833,142	188,815
Fuel and oil	1,707,687	1,235,288
Insurance	532,618	358,482
Lease rentals on operating lease (including yellow fleet R 6,3m in 2011)	6,709,030	1,380,669
Magazines, books and periodicals	33,019	91,224
Medical expenses	29,374	26,541
Valuations	3,090,318	373,605
Motor vehicle expenses	31,086	32,636
Postage and courier	316,722	250,662
Printing and stationery	463,620	101,350
Royalties and license fees	191,683	20,952
Security (Guarding of municipal property)	36,672	24,686
Software expenses	72,245	136,213
Subscriptions and membership fees	83,127	29,864
Telephone and fax	1,439,525	1,092,832
Training	29,767	110,944
Transport and freight	17,038	14,529
Travel - local	1,675,716	1,239,021
Uniforms	90,536	265,868
	28,426,292	18,646,366

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24. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Motor vehicles

☐ Contractual amounts

6,335,454 -

Equipment

☐ Contractual amounts

373,576 1,380,669

6,709,030 1,380,669

Employee costs

32,900,618 24,058,675

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25. Employee related costs		
Basic	19,821,599	15,553,302
Medical aid - company contributions	1,230,031	997,068
UIF	210,316	162,378
SDL	225,809	173,406
Other payroll levies	13,566	(19,717)
Leave pay provision charge	1,654,538	(490,314)
Pro-rata bonus provision charge	20,179	-
Pension fund - company contributins	3,994,905	2,666,608
Travel, motor car, accommodation, subsistence and other allowances	421,217	369,334
Overtime payments	1,575,317	1,006,078
13th Cheques	1,318,338	1,261,051
Housing benefits and allowances	72,922	116,225
Telephone allowance	83,680	52,100
Other allownaces	49,075	296,685
	30,691,492	22,144,204

Remuneration of municipal manager

Annual Remuneration	396,198	384,653
Car Allowance	73,758	19,638
Bonuses	-	26,545
Contributions to UIF, Medical and Pension Funds	1,496	108,682
Other	40,956	216,006
	512,408	755,524

The municipal manager has been on has been suspended with full pay since 04 April 2011. Council is investigating the matter and will take the necessary steps in accordance with s32 (2)b of the Municipal Finance and Management Act 56 of 2003.

Remuneration of Chief Finance Officer (Acting)

Annual Remuneration	220,444	331,624
Car Allowance	4,223	24,383
Bonuses - 13th cheque	34,177	18,460
Contributions to UIF, Medical and Pension Funds	54,476	86,436
Other	62,191	213,331
Acting allowance	121,587	-
	497,098	674,234

The municipality did not have a Chief Financial Officer since the month of August 2010. The above salary includes the amount paid to the individual who is acting in that poission.

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25. Employee related costs (continued)

Remuneration of the Head: Technical Services (Acting)

Annual Remuneration	169,178	151,296
Car Allowance	-	37,897
Bonuses - 13th cheque	14,098	12,709
Contributions to UIF, Medical and Pension Funds	36,652	-
Other	-	9,718
Acting allowance	152,656	-
	372,584	211,620

The municipality did not have a Manager: Technical services during the financial year. The above salary indicates the amount paid to the individual who is acting in that position.

Remuneration of the Head: Corporate Services

Annual Remuneration	291,782	260,940
Car Allowance	30,000	30,785
Bonuses - 13th cheque	24,315	21,919
Contributions to UIF, Medical and Pension Funds	83,502	13,176
Acting allowance	30,987	-
	460,586	326,820

The municipality did not have a Manager: Corporate services of the financial year. The above salary indicates the amount paid to the individual who is acting in that position

Remuneration of the Head: Community Services (Acting)

Annual Remuneration	169,178	-
Car Allowance	30,000	-
Bonuses - 13th cheque	14,098	-
Contributions to UIF, Medical and Pension Funds	54,612	-
Acting allowance	149,254	-
	417,142	-

The municipality did not have a Manager: Community services during the financial year. The above salary indicates the amount paid to the individual who is acting in that position

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26. Remuneration of councillors

Councillors' allowance	2,188,650	1,906,361
Councillors SDL	20,476	8,110
	2,209,126	1,914,471

In-kind benefits

The Mayor is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The previous Mayor had two full-time bodyguards and current Mayor has no bodyguards.

27. Investment revenue

Dividend revenue

Listed financial assets - Local	1,733	5,204
---------------------------------	-------	-------

Finance income

Unlisted financial assets	31,336	45,186
	1,733	5,204
	31,336	45,186
	33,069	50,390

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 31,336 (PY: R 45,186).

28. Finance costs

Finance leases	127,675	-
Bank	167,857	357,233
Other interest paid	-	61
	295,532	357,294

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 295,532 (PY: R 357,294).

29. Auditors' remuneration

Fees	2,051,545	2,159,013
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30. Operating lease

The municipality leases backup facilities :

- ☐ there is no contingent rent payable.
- ☐ the lease is renewable annually;

The municipality also leased a fleet of vehicles under a finance lease during the financial year. As this lease commenced and was cancelled during the financial year, the assets have not been included in finance leased assets but the lease has been accounted for as an operating lease.

31. Contracted services

Centlec Pty (Ltd) is contracted to provide electricity services to consumers on behalf of the municipality. A service level agreement was entered into with Centlec and the two parties share the profits and losses of the arrangement.

The contracted service resulted in revenue of electricity sales of R 12,040,737 and bulk purchases of R 16,136,859.

32. Bulk purchases

Electricity	16,136,859	11,871,957
Water	-	19,892
	16,136,859	11,891,849

The bulk Electricity purchases represent expenditure incurred by Centlec as part of the outsourcing arrangement for electricity services.

33. Cash generated from operations

Surplus	6,389,508	25,949,812
Adjustments for:		
Finance costs - Finance leases	127,675	
Debt impairment Movements	12,421,479	
in provisions Changes in	-	
working capital:		
Trade and other receivables from exchange transactions	1,308,429	
Other receivables from non-exchange transactions	(240,359)	
Consumer debtors	(8,563,139)	
Trade and other payables from exchange transactions)	
VAT	5,320,919	
Unspent conditional grants and receipts	(2,925,411)	
Consumer deposits	11,507,010	
Deferred revenue	(73,145)	
Other non-cash items)	
	-	
	676,846	

15,928,105			1	-
			0,	(4,813,871)
	-		0	(81,835)
	-		7	4,066,592
		620,377	7,	-
			4	
			0	398,798
(5,654,300)	(9,975,141)	(9,768,529)	<u>0</u>	
<hr/>				

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34. Capital commitments

34.1 Commitments in respect of capital expenditure

Approved and contracted for

<input type="checkbox"/> Property, plant and equipment	2,346,453	26,649,008
--	-----------	------------

Approved but not yet contracted for

<input type="checkbox"/> Property, plant and equipment	12,407,994	12,460,000
--	------------	------------

This committed expenditure relates to Infrastructure assets and will be financed by available government grants

This expenditure will be financed from

<input type="checkbox"/> Government grants	14,754,447	39,109,008
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35. Contingencies

Contingent liabilities

The municipality is currently involved in a number of court/other legal cases. The implications are that the municipality will incur expenditure for the settlement of the cases. These represent possible liabilities or possible assets. The future possible settlement costs are estimated as follows:

Party involved	Possible Liability
1. Leanya, Makhube Nzula	R 100,000
2. SAMWU arbitration	R 115,000
3. Staff salaries	R 63,000
4. Keoratile traffic solutions	R 100,000
5. Nzula & Makhube	R 100,000

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36. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- ☐ key management personnel, and close members of the family of key management personnel;
- ☐ entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- ☐ entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

Relationships Accounting

Officer Ultimate

controlling entity

T. Panyani

National Government of the Republic of South Africa

Close family member of key management

Members of key management

All close family members of key management

K.S Motsoeneng

T. Panyani

S. Moorosi

M. Tsoamotse

T. Lekwala

M. van Pletzen

E. Meades

C. Leeuw

37. Prior period errors

1. Accumulated depreciation totalling R 140,914,926 was calculated in contradiction with the Directive 4 as adopted by the municipality. This was corrected as a prior period error by reversing all the depreciation in the previous financial year. In addition, the classification, presentation and disclosure of property, plant and equipment was changed to comply with GRAP 17 requirements.

2. The equitable share grant in the statement of financial performance was understated by an amount of R 3,302,837. This was due to errors in accounting for indigent subsidies in the accounting records of the municipality.

3. Petty cash included amounts for operating expenditure of R 568,701 which overstated the account

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37. Prior period errors (continued)

balance in the previous financial year.

4. The municipality has implemented a GRAP fixed asset register for the first time. The result of this was that assets were counted and classified in the correct GRAP compliant categories. Differences amounted to R 12,648,758 from the previous year asset register.

5. A fleet of municipal vehicles was acquired through a finance lease in the previous which was not capitalised. This has been included in the acquisitions for the previous year at an amount of R 25,701,376.

6. Infrastructure projects expenditure to the amount of R 11,773,848 with VAT of R 1,489,720 was not capitalised in the previous year. These have been capitalised and the related VAT adjusted.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	140,914,926	-
Property, plant and equipment	12,648,758	-
Cash and cash equivalents	568,701	-
VAT	1,489,720	-
Property, plant & Equipment	11,773,848	-

Statement of financial performance

Revenue	3,302,841	-
---------	-----------	---

Cash flow statement

Cash flow from operating activities

Cash receipts	3,302,841	-
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38. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

1. Biological assets of the municipality valued at R 564,900 were incorrectly classified as inventory. This classification adjustment is shown on the statement of financial position.

2. Property, plant and equipment has been classified according to class in accordance with GRAP 17.

3. All properties meeting the requirements to be classified as investment property have been re-classified as such. As a result, investment property of R 29,404,500 (previous year: 880,853) was incorrectly disclosed as property, plant and equipment.

4. Subsistence and travelling costs totalling R 1,239,021 were included in employee related costs in the

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38. Comparative figures (continued)

previous year. This has been re-classified to general expenses.

5. Input tax and output tax were disclosed separately in the prior year. In the current year, VAT has been disclosed as a single line item of R 3,602,921 in the statement of financial position. Output tax of R 259,694 was re-classified from other payables to VAT receivable.

6. Short-term deposits of R 288,601 have been re-classified from investments to cash and cash equivalents.

7. Conditional grants totalling R 1,953,391 with debit balances were incorrectly classified as payables instead of receivables from non-exchanges transactions. The grants have been restated to show the change in classification.

8. An amount of R 2,064,771 was re-classified from provisions to accruals as these did not represent provisions but accrued leave pay and accrued pro-rata bonus.

9. The bank overdraft of R 1,494,653 was incorrectly disclosed separate from other three bank accounts of the municipality. These have been disclosed together in the current financial year.

10. An amount of R 152,093 was incorrectly classified as an unspent conditional grants which has in the current year been re-classified to property, plant and equipment as it represented acquisition of infrastructure assets.

Statement of financial position

Biological assets	585,000	564,900
Property, plant & equipment	155,975,629	168,770,562
Investment property	29,404,500	880,853
VAT	6,528,332	3,602,921
Cash and cash equivalents	1,484,210	1,206,052
Provisions	3,713,070	2,064,771
Property, plant and equipment	605,342	152,093

Statement of financial performance

Employee related costs	1,675,716	1,239,021
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39. Risk management

Financial risk management

Objectives, policies and processes for managing risks

The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework. The Council has appointed a Chief Risk Officer, (a function shared by all

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39. Risk management (continued)

municipalities in the district) who is responsible for developing and monitoring the municipality's risk management policies. The officer reports regularly to the Council on his activities. The municipality's audit committee oversees the monitoring of compliance with the municipality's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the municipality. The audit committee is assisted in its oversight role by the municipality's internal audit function.

The municipality's internal audit monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include the following:

- ☐ credit risk;
- ☐ liquidity risk; and
- ☐ market risk (including currency risk, interest rate risk, equity price risk and commodity price risk).

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of non-derivative financial instruments, and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties to the extent possible and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

With the exception of trade receivables, the municipality only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the municipality uses other publicly available financial information and its own trading records to rate its major customers.

The municipality's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

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39. Risk management (continued)

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

:

Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the economic entity's short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The economic entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. The economic entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year end, financial instruments exposed to interest rate risk were as follows:

- ☐ Call deposits

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39. Risk management (continued)

- ☐ Notice deposits
- ☐ Long term annuity
- ☐ Development Bank of South Africa loan
- ☐ ABSA Overdraft

40. Events after the reporting date

No material events after reporting date occurred.

41. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Approval by Council or Condoned	2,971,004	-
Unauthorised expenditure awaiting authorisation	12,147,439	-
	15,118,443	-

Incident

Unbudgeted expenditure

Disciplinary steps / Criminal proceedings

None

Unauthorised expenditure of R 2,971,004 was incurred as a result of unforeseen expenditure in some budget votes. These were investigated by the Accounting Officer and presented to Council for further review. Council has investigated the matter and the above disclosed amount has been condoned by Council. A register containing the details of such expenditure is available for inspection at the municipal offices.

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42. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance - Restated	1,253,110	-
Fruitless and wasteful expenditure - current year	833,142	1,253,110
	2,086,252	1,253,110

The fruitless and wasteful expenditure incurred during the year was mainly interest and penalties as a result of late payment of debt by the municipality. The fruitless and wasteful expenditure been condoned by Council.

A register containing the details of the above fruitless and wasteful expenditure is available for inspection at the municipal main offices.

43. Irregular expenditure

Opening balance	63,144,064	-
Irregular Expenditure - current year (some current year amounts are from prior year as an investigation was completed in current year and therefore amounts overlapped)	45,559,856	63,144,064
	108,703,92	63,144,064
	0	

Details of irregular expenditure – current year

Leasing contracts for office machines - breach of supply chain regulations	Disciplinary steps taken/criminal proceedings Suspension - Employee resigned - Provincial COGTA to assist in determining possible further action
Appointment of contractors for MIG projects - breach of supply chain regulations	Suspension - Employee resigned - Provincial COGTA to assist in determining possible further action
Procurement of yellow fleet - breach of supply chain regulations	Suspension - Employee resigned - Provincial COGTA to assist in determining possible further action
Appointment of contractors and consultants for electrification project - breach of supply chain regulations	Suspension - Employee resigned - Provincial COGTA to assist in determining possible further action
Property valuation consultants - breach of supply chain regulations	Suspension - Employee resigned - Provincial COGTA to assist in determining possible further action
Health, water & sanitation project - breach of supply chain regulations	Suspension - Employee resigned - Provincial COGTA to assist in determining possible further action
VAT review	Suspension - Employee resigned -

ssist in determining possible further action

3,122,854

25,720,211

6,335,453

2,846,385

4,169,110

2,433,900

931,943

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43. Irregular expenditure (continued)

45,559,856

44. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

Forensic investigations by Pricewaterhousecoopers and KPMG that certain individual/s misappropriated assets of the municipality were undertaken. The municipality is in the process of determining the possibility of criminal activities taking place from the forensic reports. The amount involved cannot be reasonably estimated at year end.

Audit fees

Opening balance	3,203,807	2,225,934
Current year subscription / fee	2,051,545	2,159,013
Amount paid - current year	(3,546,834)	(1,181,140)
	<u>1,708,518</u>	<u>3,203,807</u>

The municipality received indirectly a grant from provincial department of COGTA through the department settling audit fees outstanding of R 2 million for the municipality. The department paid the audit fees directly to the office of the Auditor General

PAYE and UIF

Amount paid - current year	<u>228,967</u>	<u>162,378</u>
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Pension and Medical Aid Deductions

Amount paid - current year	<u>5,587,343</u>	<u>3,663,676</u>
----------------------------	------------------	------------------

VAT

VAT receivable	<u>6,528,332</u>	<u>3,602,921</u>
----------------	------------------	------------------

VAT output payables and VAT input receivables are shown in note . The municipality was subject to a VAT audit in the previous financial year. There have not been adjustments made to VAT balances pending the results of the audit by the SARS. All the required supporting documentation has been submitted to the SARS. Therefore, the amounts disclosed in the balance sheet for VAT are provisional and could change significantly as a result of the audit.

For the current financial year, all VAT returns have been submitted by the due date throughout the year.

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Shasha	2,393	20,199	22,592
Thuhlo	6,353	980	7,333
Letele	744	134	878
Schanka	1,450	365	1,815
Majenge	496	10,645	11,141
	11,436	32,323	43,759

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

A number of deviations occurred during the year (48 incidents) whereby supply chain policies were not followed. A register containing the details, reasons, suppliers and amounts involved is available for inspection at the municipal head office.

46. Revenue

Property rates	3,213,229	6,068,130
Service charges	28,275,181	25,302,341
Rental of facilities & equipment	656,777	399,594
Public contributions and donations	20,580	-
Government grants & subsidies	68,189,764	40,790,368
	100,355,531	72,560,433

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	28,275,181	25,302,341
Rental of facilities & equipment	656,777	399,594
	28,931,958	25,701,935

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46. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	3,213,229	6,068,130
Public contributions and donations	20,580	-
Government grants & subsidies	68,189,764	40,790,368
	71,423,573	46,858,498

47. Debt impairment

Contributions to debt impairment provision	12,421,479	-
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The municipality impaired the debtors for the first time in accordance with IAS 39, therefore comparative figures are not available.

48. ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

MOHOKARE LOCAL MUNICIPALITY

FOR THE YEAR ENDED 30 JUNE 2011

	2011	2011	2011	2011	Explanation of Significant Variances
REVENUE					
Property rates	3 213 229	4 615 000	(1 401 771)	-30%	A significant rebate (R 2,8 m) was given to ratepayers
Service charges	28 275 181	24 693 000	3 582 181	15%	Improved collection
Rental of building	656 777	68 000	588 777	866%	Revenue was underbudgeted. R 128k was levied for chalets let to SAPS
Interest on debtors	226 793		226 793	100%	Interest not budgeted for
Interest on Investment	31 336		31 336	100%	Interest not budgeted for
Dividends received	1 733		1 733	100%	Not material
Government grants and subsidies	68 189 764	50 199 000	17 990 764	36%	COGTA Grant in aid of R 6,8 m not budgeted. MIG of R 13m recognised in revenue.
Other income	1 155 630	7 057 000	(5 901 370)	-84%	Good collection
Total Revenue	101 750 443	86 632 000	15 118 443	17%	
EXPENDITURE					
Employee related costs	30 691 492	33 848 000	(3 156 508)	-9%	Not material
Remuneration of Councillors	2 209 126	2 322 000	(112 874)	-5%	Not material
Bad debts	12 421 479		12 421 479	100%	Not Budgeted for
Repairs and maintenance	1 024 249		1 024 249	100%	Not correctly budgeted for
Interest paid	295 532	4 797 000	(4 501 468)	-94%	Planned finance costs for yellow fleet did not occur
Bulk purchases	16 136 859	4 033 000	12 103 859	300%	Centlec was not included in the budget.
General expenses	32 582 198	41 632 000	(9 049 802)	-22%	Allocation of expenses incurred not consistent with budget. No actual saving achieved
Total Expenditure	95 360 935	86 632 000	8 728 935	10%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	6 389 508	-	6 389 508		

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Appendix A: Schedule of external loans

The supplementary information presented does not form part of the annual financial statements and is unaudited

APPENDIX A

June 2011

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Loan Number	Redeemable	Balance at 30 June 2010	Received and interest	Redeemed written off during the period	Balance at 30 June 2011
		Rand	Rand	Rand	Rand
DBSA LOAN					
CONSOLIDATED LOAN	1	2015	1,691,471	197,410	168,000
			1,691,471	-	168,000
CENTLEC LOANS					
Prepaid meters: mohokare area	40021201	2021	32,791	-	9,589
Highmast lighting	40023225	2022	76,042	-	22,238
Bank overdraft	40023267	2022	726,057	-	212,327
23 Highmast lights mohokare	40025472	2023	-	-	-
Mohokare ext. Upgr & impr of low voltage network	40025485	2023	252,242	-	73,765
Improvement of low voltage network	40027467	2024	377,627	-	110,433
High mast lighting	40027470	2024	301,335	-	88,122
Replacement of domestic/commercial meters	40027483	2024	124,561	-	36,426
			1,890,655	-	552,900
TOTAL EXTERNAL LOANS					
DBSA LOAN			1,691,471	-	168,000
CENTLEC LOANS			1,890,655	-	552,900
			3,582,126	-	720,900

APPENDIX B MOHOKARE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011										
	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Buildings										
	1,490,059				1,490,059					1,490,059
Furniture & Fixtures	1,002,706				1,002,706					1,002,706
Motor vehicles	28,710,869	681,694		25,701,376	3,691,187	-				3,691,187
Office equipment	2,101,559	-	-	-	2,101,559	-	-		-	2,101,559
Infrastructure	22,665,941	605,342	-	-	23,271,283			-	-	23,271,283
Community	2,690,390		-		2,690,390	-		-		2,690,390
Other property, plant & equipment	24,518				24,518			-		24,518
Other equipment	19,787,830		-	-	19,787,830	-	-	-		19,787,830
Bins & containers	1,232	-	-		1,232	-	-	-	-	1,232
Capital work in progress		12,222,328	-		12,222,328	-	-	-		12,222,328
Wastewater network	39,453,035				39,453,035			-		39,453,035
Water network	50,228,937				50,228,937			-		50,228,937
Heritage assets	8,145				8,145					8,145
Total fixed assets	168,165,221	13,509,364	-	25,701,376	155,973,209	-	-		-	155,973,209

	COST					Accumulated Depreciation				
DETAILS	OPENING BALANCE	ADDITIONS	CONSTRUCTIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	DEPRECIATION	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
Planing and Development				-	-					-
Executive & Council	-				-		-			-
Finance and Administration	-			-	-		-			-
Health	-			-	-		-		-	-
Community & Social Services	-			-	-		-		-	-
Sports & Recreation						-				
Waste Management		-	-			-	-			
Waste Water Management		-	-			-	-	-		
Road Transport		-	-				-	-	-	
Water	-	-	-				-	-	-	
Electricity		-	-				-	-	-	
	-	-	-		-	-	-	-	-	-
I										

Annexure intentionally left blank as reliable information to complete is not readily available.

MOHOKARE LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

2010	2010	2010		2011	2011	2011
ACTUAL	ACTUAL	SURPLUS/		ACTUAL	ACTUAL	SURPLUS/
INCOME	EXPENSES	(DEFICIT)		INCOME	EXPENSES	(DEFICIT)
R	R	R				
(43,884)	4,240,723	4 196 839	Executive & Council	(20 799)	5 212 889	5 192 090
(39,558,495)	18,343,618	(21 214 877)	Finance and Administration	(62 539 621)	28 896 548	(33 643 073)
(16,491)	1,108,131	1 091 640	Planning & Development	-	884 494	884 494
(148,271)	2,492,615	2 344 344	Community & Social Services	(157 953)	2 584 251	2 426 298
(250,269)	462,838	212 569	Housing	(451 797)	692 847	241 049
(583,119)	3,459,410	2 876 291	Public Safety	(156 694)	1 729 544	1 572 850
(46,692)	1,344,571	1 297 878	Sports & Recreation	(305 403)	1 614 575	1 309 172
0	101,766	101 766	Environmental Protection	(135 174)	21 560	(113 614)
(3,196,894)	6,020,843	2 823 949	Waste Management	(3 786 978)	4 853 574	1 066 596
(7,360,603)	5,339,933	(2 020 670)	Waste Water Management	(5 936 242)	803 921 13	2 102 970
(7,699)	3,169,735	3 162 037	Road Transport	(2 564)	8 772 009	8 769 444
(5,529,642)	4,933,071	(596 572)	Water	(19 826 475)	18 744 772	(1 081 704)
(12,141,984)	11,988,092	(153 892)	Electricity	(12 040 738)	16 924 657	4 883 919
(68 884 045)	63 005 347	(5 878 698)	TOTAL	(105 360 440)	98 970 932	(6 389 508)

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2011

	<u>2011</u> <u>Actual</u>	<u>2011 Under</u> <u>Construction</u>	<u>2011 Total</u> <u>Additions</u>	<u>2011</u> <u>Budget</u>	<u>2011</u> <u>Variance</u>	2 011 <u>Variance</u>	Explanation of Significant Variances greater than 5% versus Budget
Executive & Council	R	R	R	R	R	%	MIG projects were not correctly budgeted MIG projects were not
Finance and Administration		6 323 114 3	6 323 114 4	25 703 000	6 323 114	0%0%0%	correctly budgeted. Fleet budgeted was returned MIG projects were not
Health	681 694	760 898	442 592 2	12 913 000	(21260408)	0%	correctly budgeted
Community & Social	605 342	2138317	743 659		(10 169 341)	0%0% - 100%	
Services Sports & Recreation Waste Management Waste Water Management						-83%	
Road Transport						-79%	
Water Electricity						0%0%	
TOTAL	1 287 036	12 222 328	13 509 364	38 616 000	(25 106 636)	-65.02%	

DISCLOSURE OF GRANTS AND SUBSIDIES IN FOR THE YEAR ENDED 30 JUNE 2011

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
		R	R	R	R	R	R	R	R							
		17,025,802	13,620,642	10,215,182		13,620,642	13,620,642	13,620,642							Y	
Equitable Share Financial Management Grant Municipal Systems Improvement Grant Municipality Infrastructure Grant	Equitable Share														Y	
		750,000				283,024	46,489	301,658	118,829						Y	
	Financial Management Grant Municipal Systems Improvement Grant Municipality Infrastructure Grant	6,069,000	5,036,000	1,808,000		8,117,565	3,192,969	1,353,229	249,237						Y	
	Grant Department of Corporative Governance and Traditional Affairs				10,020,210				10,020,210						Y	
COGTA Grant in aid																

Mohokare Local Municipality

(Municipal demarcation code: FS/163)

Annual Financial Statements for the year ended 30 June 2011

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment